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SELECT STANDING COMMITTEE

JACKMAN

ON

# AGRICULTURE AND COLONIZATION

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Minutes of Proceedings and Evidence

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No. 1--THURSDAY, APRIL 6th, 1922

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Mr. H. W. Woods, President Canadian Council of Agriculture.

Mr. James Robinson, President Saskatchewan Co-operative Elevator Company Limited.





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# SELECT STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION

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## MINUTES OF PROCEEDINGS

THURSDAY, April 6, 1922.

The Committee met at 11 o'clock a.m., present: Messieurs Kay (in the Chair), Anderson, Baldwin, Boucher, Bowen, Brethen, Brown, Caldwell, Campbell, Charters, Clifford, Crerar, Delisle, Denis (St. Denis), Dickie, Duncan, Evans, Fontaine, Forke, Forrester, Fortier, Garland (Bow River), Gauvreau, Good, Halbert, Hubbs, Hunt, Jelliff, Johnson (Moose Jaw), Jones, Knox, Leader, Léger, Lovett, Lovie, MacKelvie, McLean (Prince), McCrea, McKay, McKillop, Malcolm, Millar, Milne, Morin, Morrison, Motherwell, Munro, Papineau, Pritchard, Rankin, Sales, Savard, Séguin, Senn, Sexsmith, Simpson, Sinclair (Oxford), Sinclair (Queens), Stevens, Spence, Stansell, Stein, Stewart (Humboldt), Sutherland, Thompson, Thurston, Tobin, Tolmie, Warner, White, Wilson, Woodsworth.

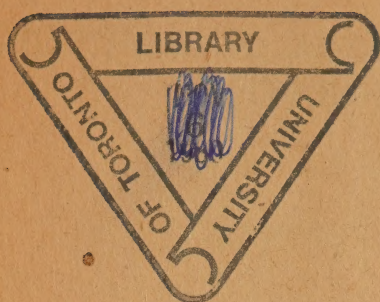
Mr. H. W. Woods, president of the Canadian Council of Agriculture, was in attendance and gave evidence on the re-establishment of the Canada Wheat Board. Witness retired. It being one o'clock p.m., the Committee rose, to meet again at four o'clock p.m.

Committee reassembled at four o'clock p.m., quorum being present. Mr. James Robinson, president of the Saskatchewan Co-operative Elevator Company, Limited, who was in attendance, was called and gave evidence on the same subject as previous witness. Witness retired. Committee adjourned to meet at eleven o'clock a.m. tomorrow (Friday, April 7, 1922).

ARTHUR GLASIER,

*Clerk of Committee.*





## MINUTES OF EVIDENCE

THURSDAY, April 6, 1922.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock, the Chairman, Mr. W. F. Kay, presiding.

The CHAIRMAN: The Committee will please come to order.

Gentlemen, the object of our meeting this morning is to hear the representatives of the Council of Agriculture on the memorandum which was presented to the Government and subsequently referred to this Committee on the question of the re-establishment of the Wheat Board.

Mr. Woods and Mr. Robinson of the Canadian Council of Agriculture are present this morning, and I will call upon Mr. Woods first to make whatever remarks he has to make in amplification of the memorandum.

Mr. H. W. Woods: Mr. Chairman and gentlemen: I have not a formal case to present to you this morning. Mr. Lambert presented that in writing to the Government, and I believe you have it. All I desire to do is to make a few informal statements in regard to the conditions that led up to the farmers of Western Canada requesting the re-establishment of the Wheat Board.

The conditions in Western Canada during the last two years have been exceedingly serious from a financial statement. I think I can say without any qualification that during that period all agricultural products have been selling below the cost of production. The farmers are short of money, their security is exhausted, and the situation is exceedingly serious. In fact, the farmers are in a bankrupt condition, and unless there is a change they will be completely bankrupt. Wheat being the principal commodity of the farmers in Western Canada, they determined to ask for the re-establishment of the Wheat Board, because they believe that by selling through that system they will get considerably more for their wheat. The idea has never been that they would be able to arbitrarily fix the price of wheat, but the farmers would be able to negotiate the price and control the flow of wheat and obtain a great deal more money for their crops if the Wheat Board is re-established. In other words, the farmers would be able to get the full value of their crops on the world's market. That is the only thing we hope to be able to accomplish.

The conditions that exist in connection with the selling of wheat are that as soon as the wheat commences to run in full flow—that is, as soon as the farmers all get to threshing and get the wheat rolling—it is rushed to market as rapidly as the farmers can get it there, because they are all being pushed for money. In addition to that, a very large majority of the farmers, on account of being pushed for money, order their wheat sold on arrival, and the commission men have nothing to do but sell that wheat. They have nothing to do with negotiating a price, because they have to sell the wheat at whatever price they can get when the wheat arrives; they are under orders by the owners of the wheat to sell it. The flow is not controlled, and from the settlers' standpoint the price is really not negotiated.

Under the Wheat Board an initial payment was made on the wheat, and the wheat could be put in storage and kept there as long as it was expedient to do so. The flow of wheat was thereby controlled, and there was also this central agency to

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negotiate the sale of the wheat. You then had a sale made by negotiation between the seller and the buyer. Under the present conditions, it is really not so. The buyer has a very great advantage over the seller, and when this flow is so great the buyers can systematically withdraw from the market and depreciate the value of the wheat.

We believe that under the management of an efficient Wheat Board \$25,000,000 would be a very conservative estimate of the increased price that would be received from the sale of an ordinary crop of wheat. We think the operations of the Wheat Board in the selling of the 1919 crop saved to the people of Western Canada at least double that amount. Extraordinary conditions exist not only in the selling of the crop, but also from the standpoint of the consumers, and during these extraordinary conditions we ask for the reinstatement, temporarily, of the Wheat Board. We do not believe that any other method would make it possible to immediately meet these extraordinary conditions that will have to be met if anything is going to be saved to the agriculturists of Western Canada during the next year or two.

I understand there is some objection to this plan from the consumers' standpoint. I would not like to make any arbitrary statement, but I do not believe there is any justification at all—and I will make that statement absolutely arbitrarily—for any apprehension upon the part of the consumers. Under the operations of the old Wheat Board the price of wheat to the Canadian millers was always below the foreign price. We first fixed the value of the price to the Canadian millers at \$2.30 per bushel and there was never any wheat sold to the foreign trade below that price. Practically all of it was sold above that price. The millers, however, can manufacture and sell flour on a very much lower margin under that management, because the price of both wheat and flour is always stabilized.

They do not have to speculate in buying and selling; the price is stabilized to them, assuming, of course, that the board regulates the price of flour. Even then, the price of flour would be stabilized by the stability of the price of wheat, and if the crop of wheat does not bring \$25,000,000 more than it would bring on the open market, I do not think there would necessarily be one cent advance in the price of flour. Besides that, a very large majority of the total amount of wheat is exported, and if you undertook to keep down the price of flour and the price of wheat by an irregular open market, I think you will lose to the producer and to the national wealth \$10 for every dollar you would save to the consumer. I do not think there is any doubt about that. That, to say the least, has not been the policy of the Canadian Government with regard to other products of the nation.

There is another consideration which should be borne in mind. We do not claim that the Wheat Board's selling the wheat at the higher price would solve the financial difficulties of the farmers. It would not, but it would help just that much, and every dollar extra that the farmers would get for their wheat crop for this year and the next couple of years would go immediately into the channels of trade and would help trade itself just that much. Practically speaking, not one dollar could be hoarded. Of course, a great deal of the money thus saved to the farmers would go immediately to paying the debts of the producers, but every dollar that did not go to pay debts would go immediately into the channels of trade and would relieve trade itself to just that extent; whereas under the present conditions the purchasing power of the farmers has been practically destroyed. They are not buying a cent's worth above their actual necessities, and trade can no more escape the effect of the farmers' inability to buy than can the farmers themselves.

Agricultural values have been deflated. The purchasing power of agriculture has been destroyed, and therefore other values have to be deflated before conditions can reach a normal adjustment whereby trade will resume its activities. Every dollar that can be secured to brace up that situation will help. If there cannot be some relief afforded immediately, agricultural production is going to be discouraged. No industry can continue to operate at a loss. It can only continue so far, and

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unless something is done which will afford some assurance that this loss is going to cease to some extent, production will be considerably discouraged. A man came to me before I started down to Ottawa the other day, to give you an instance, and wanted to know what the prospect was of getting this Wheat Board. He says "I am thinking about renting quite a farm out here and putting in quite a bit of wheat." He said "before I decide whether I am going to rent or not I would like to know what would be the chances of getting this Wheat Board." That is just an indication of the feeling among the people. They have got to begin to curtail production. Of course they are all doing that to some extent and will be forced to do it to a greater extent.

Now another objection that has been raised to it is that it is compulsory. Well, I presume it is but what is there that is not? You have a grain market system to-day absolutely compulsory because you have not got any other system just as compulsory as this would be. I don't know anything that is not compulsory. They are passing laws all the time that are compulsory but on the other hand we are meeting a condition that actually exists and it is a very serious condition and it has to be dealt with in a serious way. Now, are we going to proceed in a practical way and deal with conditions that exist? Are you going to proceed along sentimental lines? I don't believe sentimentality will save the situation that the people of Canada are facing at the present time. There is another phase to this question. It has a bearing on it. I don't pretend we are solving any of those problems we are facing by this method but I do claim we will be doing something and doing what we can in a practical way to meet the situation, and that is the matter of immigration.

All over the country people are talking about wanting more people to come in here and one man expressed it "Get tied up to a piece of land," and "tied up" was the expression. What reason can we give for the kind of agricultural immigrants we want to come to this country, to come here under present conditions? What logical reason can we give them for coming here? Why would they come? The farmers that are here are in a most serious condition of distress. They are going behind all the time and why would immigrants come to this country? The best advertisement we would make for immigrants to come to this country, it seems to me is to show some sympathy and some disposition to try to help the people who are already tied up with pieces of land in this country.

Now, to meet this there is quite a bit of propaganda. I have seen some propaganda recently to ignore immigration from the British Isles, to ignore immigration from the States, and go to central Europe and get immigration. These people will come here and succeed. Do we want them? Do we want to recognize conditions in this country, with great stretches of unoccupied fertile lands? Do we want to acknowledge that the conditions of Agriculture are such that we have to go and appeal to the very lowest class of immigrants that there are in the world? I don't think we do.

I do not know that I have anything else I can say to you. We come to you in distress, in absolute distress. I don't know how to describe it but in a financial condition that is exceedingly serious, if not appalling, and we ask you to give us a small measure of relief. It is only a small measure of relief, but we believe it is the only practical thing that can be done at the present time, and we think it is in the interest of agriculture; we think it is in the interest of every legitimate interest there is in Canada, directly to agriculture but just as indirectly to every legitimate economic interest. It may work a hardship in some ways to a very limited number of people, but a very limited number of individuals. It will be beneficial to all legitimate economic interests because every dollar that is brought from a foreign country which you put into the channels of Canadian trade will build up the trade of this country just a dollar's worth, and we insist that this is a practical relief to some extent and we also insist that it is the only possible immediate practical relief in

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regard to the sale of wheat. We ask it as a temporary measure, but we do ask it with all seriousness and with all the force that we have to give us this temporary relief. Gentlemen, I thank you.

The CHAIRMAN: May I ask the speakers to give their names?

Mr. SEXSMITH: Did I understand you to say that on the output of wheat for the year that it would approximately increase the price to about \$25,000,000.

Mr. WOODS: I think that is a conservative estimate.

Mr. SEXSMITH: Would you answer for the instruction of this committee those two questions; first, how will the Wheat Board increase that price, and secondly out of whom does the increase come?

Mr. WOODS: The Wheat Board by centralized selling power, being a centralized selling agent with control of all the wheat they could control the flow of the wheat. They could let the wheat flow just as they think it is advantageous to flow. Under the present system the wheat is all forced on at one time and the selling of this wheat under the new system is directed by thousands of individual farmers, each one selling when his wheat can be sold, instead of that indiscriminate selling direction by thousands of individuals without any chance in the world to know how to direct the selling of his wheat each one of them—this will come into the hands of one central selling agency which could control the flow, and not only that but instead of the commission men going to a man and saying "I have so many carloads of wheat to-day which I have to sell, what do you give me for it?" this man has the control of the storage capacity and he negotiates the sale. The buyer will go to him and say: "I want ten million or twenty million bushels of wheat; what will you sell it to me at?" And then the negotiations take place, intelligent negotiations, and there is just as much strength in the seller as there is in the buyer, because he controls the supply and the wheat is controlled and sold intelligently under the Board. It is not under the direction of several thousand farmers, ninety per cent of whom are being forced by their creditors to sell immediately. That is the only control they have for the selling of their wheat. We have to sell this wheat immediately and get the money.

Now, the creditor is satisfied under the Board because he gets an initial payment and he is satisfied. Then he wants his debtor to get the best price he can. You cannot blame the creditors because they do not know what is going to happen, because here is a man who has so much loaned to another man if the man has the wheat to pay it with. We will assume it is a banker. Good wheat is going down. He says, "Get this on the market just as quick as you can before it goes down." Everybody is trying to save themselves and the buyer is getting the advantage of it.

Mr. SUTHERLAND: What would you suggest as a reasonable initial payment?

Mr. SEXSMITH: We believe this increase does not come out of the consumer.

Mr. WOODS: The price of wheat in Canada is regulated by the foreign price. The wheat consumption is something like forty-five million bushels and the balance of it goes to foreign countries, all except this forty-five million bushels that goes into the home consumption. All of the money for the balance of the wheat comes from foreign countries, from foreign trade. I don't know what the export was this year. There are men here who can tell you, over two or three times as much as the home consumption was, and sometimes a great deal more than that, but it comes primarily from foreign countries and the increased price for the wheat from the consumers' standpoint I think all comes from foreign countries, because I don't think the consumer would pay one cent more for his flour than he would have to pay anyway.

Mr. JOHNSON: Was not the price of flour regulated by the old Wheat Board?

Mr. WOODS: The price of flour was regulated by the old Wheat Board most of the time. Towards the last there was a period in which the price of flour was not regu-

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lated, but if you will compare the price of flour with the price of wheat during the operations of the Wheat Board you will find that the margin between these prices was narrower than it ever was before. I do not think you will find a parallel.

Furthermore, if you will investigate the decline in the price of wheat after the Wheat Board ceased operations and compare that decline in the price of flour from time to time, you will find that the value of wheat decreased very much more rapidly than the value of the flour. I would not make this statement positively, but I think you will find that when wheat had reached a point almost one-third of what it was selling at when the Wheat Board ceased to function, flour had decreased about one-third, about one-half as the price of wheat had decreased.

What was your question, Mr. Sutherland?

Mr. SUTHERLAND: It relates to the initial payment under present conditions.

Mr. WOODS: Oh, yes. That matter would have to be left to the judgment of the Wheat Board. Wheat, you know, had been selling at \$2.24 a bushel, but on the open market that existed for a week or ten days before the Board was created the price of wheat had gone up 8 cents to 10 cents—I do not remember the exact figure—and some members of the Board thought the initial price should be about \$2.00, while other members thought it should be \$2.20 or \$2.25. They finally agreed on \$2.15, but one or two members of the Board thought that was dangerously near the limit. Perhaps it was just a little higher than it should have been made, I do not know. In fixing the initial price, care should be exercised to fix it low enough that it will not cause a loss at the end of the selling season. That danger must be safeguarded, and I would not like to say in actual figures what would be a safe price at this time. Furthermore, conditions next Fall may be altogether different from what they are at the present time.

Mr. BROWN: What did the operations of the Wheat Board cost the country?

Mr. WOODS: The operations of the Wheat Board did not cost the country a single cent. On the contrary, the Wheat Board handed to the Dominion Government out of its returns for the sale of wheat about half a million dollars. That amount was not distributed. They could not distribute the final payment down to an exact amount, and I think about half a million dollars was handed to the Dominion Government out of the proceeds of the sale of the 1919 crop.

Mr. McCONICA: Is it not true that under the present arrangement a considerable portion of the wheat that is sold passes into the hands of speculators, and is held there until the consumer requires it or is ready to take it up? Is not that where a considerable proportion of the \$25,000,000 you mentioned goes?

Mr. WOODS: I would not undertake to analyze the present system. I do know, however, that the farmers do not get full value for their wheat, and that is the condition I desire to see remedied. I am not trying to evade your question. I simply am not capable of giving expert testimony on that point.

Mr. McMURRAY: I am sure many members of this committee do not understand how the old Wheat Board worked, and I think it would help us if Mr. Wood could briefly indicate how the Wheat Board was created, its personnel, its relationship to the Dominion Government and its relationship to the farmers selling the grain. This committee could then receive from Mr. Woods a brief explanation of the present system, and members would then be able to view the two systems in juxtaposition.

Mr. SUTHERLAND: I understand, Mr. Woods, that you were a member of the Wheat Board. Surely you are able to furnish an approximate idea of what would be a safe figure to fix as the price for the initial payment at the present time.

Mr. WOODS: I really have no intelligent idea under the present system. In the first place, this is the wrong time to consider the fixing of the price—I mean the wrong season of the year—of the initial payment, because we are just winding up

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the sale of the old crop. The sale of the new crop has not begun. The world's supply under the new crop is not yet available. No estimate of the new crop is available. Of course, it would be a very easy matter to fix a safe, logical initial payment in connection with the crop that is just being wound up, because you practically know what would be safe; but how are you going to judge what the initial payment should be in the case of a new crop that is not yet produced? In other words, conditions may arise between now and the beginning of the sale of the new crop that will make the world's supply 25 per cent less than you think it is going to be at the present time. Or, other conditions may develop between this time and that time which will make the world's supply 25 per cent greater. You would have to take these things into consideration at the beginning of the sale of the new crop in order to have any intelligent idea of what a safe price would be. It might be apparent that 75 cents would be as high as you should fix it; on the other hand, conditions may develop between now and then that would justify fixing the price at \$1.00 or \$1.50. You cannot intelligently estimate a safe price before next July or August. All you can estimate at the present time is what would have been a reasonable price at the beginning of the sale of the 1921 crop. You cannot yet estimate the 1922 crop. Canada may next year produce 100,000,000, 300,000,000 or 350,000,000 bushels of wheat. I do not think it is possible to make an intelligent estimate of next year's crop at the present time. I have forgotten your question, Mr. McMurray?

Mr. McMURRAY: I said I felt sure that many members of the committee do not understand how the old Wheat Board operated. I think it would help us if you could briefly indicate how the Wheat Board was created, its personnel, its relationship to the Dominion Government and its relationship to the farmers selling the grain. Then if you could make a comparison between the former and the present systems, I think many members would be better able to consider the question before us.

Mr. WOODS: In order to answer your question fully it would be necessary to have before us the Act creating the old board and the powers given to it, and the regulations governing its operations. I doubt, however, whether any member of the committee desires to occupy our time in that way. Briefly, the board was created and given power to sell the entire Canadian crop of wheat, and to control the sale and handling of that wheat from the time it got into the channels of commerce until it was finally disposed of.

Hon. Mr. ROBB: Did they also control the purchase of the wheat?

Mr. WOODS: In what way?

Hon. Mr. ROBB: Was the producer compelled to sell all his wheat, if he sold any at all?

Mr. WOODS: If he sold any at all, except to his neighbours. As soon as the wheat reached an elevator the Wheat Board controlled it and everything pertaining to it.

Hon. Mr. MOTHERWELL: Except the wheat that went to the United States? There was a certain amount of wheat that went across the border?

Mr. WOODS: That was controlled. The Wheat Board obtained permission from the United States authorities to permit wheat which was located near the border and where it was impracticable for the producer to get it to a Canadian elevator to go across the border. We regulated that wheat, but did not, of course, control its sale. The farmer got all he could for it from the United States buyer.

I do not know the exact figures in regard to the price of flour. If you investigate them I think you will find that while so much fuss was being made about the price of flour, the Canadian consumer purchased his flour during the year at considerably less than the United States consumer purchased it. And that is notwithstanding the fact that they had a very small per cent of high grade wheat, especially the northern grade, and we had a very large per cent.

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Mr. JOHNSON (Moosejaw): Before you leave that point, Mr. Woods, did I understand you to say that the Canadian consumer purchased his flour cheaper than the American consumer did?

Mr. WOODS: Yes.

Mr. JOHNSON: Is it not also a fact that the average price received by the Canadian wheat producer was higher than the average price received by the American producer?

Mr. WOODS: That is true.

Hon. Mr. ROBB: Is that hard wheat?

Mr. WOODS: It applies to total output.

Hon. Mr. ROBB: Hard wheat only?

Mr. WOODS: All the wheat of the nation.

Hon. Mr. STEVENS: Does not the hard wheat usually bring a higher price than soft wheat?

Mr. WOODS: Usually, yes.

Hon. Mr. STEVENS: I am referring to the general difference between hard and soft wheat.

Mr. WOODS: That depends almost entirely on the relative supply. The demand for hard wheat is not primarily for the purpose of making hard wheat flour; it is for blending. The reason that hard wheat went so high in the United States before it did so in Canada was because they put an embargo upon our northern wheat. They raise quite a quantity of northern wheat over there and use it for blending purposes, but in the year 1919 they only had about one-third of the normal supply of that wheat and the government would not let our wheat go in there and they ran their little supply of northern wheat up to a very high level and sold quite a big supply of flour on the basis of the price of that little supply of northern wheat.

Hon. Mr. STEVENS: You said a moment ago the consumer in the United States got his flour cheaper and the farmer in Canada got higher prices for his wheat than the farmer in the United States.

Mr. WOODS: You have that wrong. The consumer paid more for his flour in the United States, and the Canadian producer got more for his wheat than the United States' people.

Hon. Mr. STEVENS: This is important information you are giving us now, and will very much affect the consideration of the question later, I think. Can we be supplied with figures upon which you can base that statement, because after all it is facts we are after rather than opinions, and there is no doubt you have that information available.

Mr. WOODS: Mr. Stewart and Mr. Riddell or either one of them can supply you with actual facts in every detail in regard to this matter. I would suggest if you want those facts that you have one or both of these gentlemen up here before your committee and they can give you all the facts.

An hon. MEMBER: I would move that these facts be furnished to this committee.

Mr. GARLAND: I would second the motion and I would ask the mover of the motion in order to have no doubt on these questions that both Mr. Stewart and Mr. Riddell appear before the committee.

The CHAIRMAN: I think that motion will come after you have finished with Mr. Woods.

Mr. WOODS: The Wheat Board as I said had the control of the entire output of Canadian wheat. They negotiated the sale of all that wheat and they controlled the flow of the wheat. They sold so much at a time. Here is a buyer who had to nego-

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tiate a trade with the Wheat Board. That was the system in a general way. Here is one thing I want to make plain which may be I did not at the beginning. Another function of the Wheat Board was to sell the Canadian miller his requirements of wheat and we were under obligation not to sell it higher than export value. It had to be within the price, the export price and then the miller bought all his wheat from the Wheat Board so there was no price limit at all to the foreign trade. There was a price limit to the domestic trade. We had to give the miller an inside on the foreign value.

Hon. Mr. STEVENS: How much inside, Mr. Woods?

Mr. WOODS: The first price we set for the miller was \$2.30 a bushel. I think there was a lot of wheat sold to the foreign trade for \$2.30. I am not just certain now, but I think there was. I don't know how much, but that price was not raised to the Canadian miller at all, it was raised to \$2.80, raised from \$2.30 to \$2.80 along, I think, in December. I am not certain. But all that time the foreign price had been going up. After the foreign price got up to the level of \$2.80 then we raised the price to the miller to \$2.80 but in the meantime he had been getting the advantage—the miller did not get any advantage at all, but the consumer did get it.

Hon. Mr. STEVENS: How would you operate on a declining market on the same principle?

Mr. WOODS: Just the same as you would on a rising market, only if there was any danger of a declining market you would have to be careful about fixing the price of the initial payment.

Hon. Mr. STEVENS: How would you deal with the mills? You would have to lower it. You sold it to the miller on the rising market when the price was \$2.30 and \$2.80. On a falling market would you do the same way?

Mr. WOODS: In a falling market you would have to fix the price, because we would have to keep inside the price of the foreign value.

Mr. SAVARD: Who get the benefit of the decrease in price? Do the farmers who do not know how to market. If they were crowded to overflowing and they were flooding the market, who gets the profits of the decrease in price in case of the farmer selling the wheat on the market? Is it the speculator? It is the miller or the consumer? If the Wheat Board is asked for the maintenance of a reasonable price, so much the better, but if it is to protect the farmers of the West in the maintenance of the price and cause a restriction of competition we would like to know. In other parts of the country producers are interested as much as the farmers of the West, not on so large a scale perhaps. Tobacco growers are flooding the market. In parts of the province of Quebec it is the same thing with hay, and we would like to know who gets the profits out of the decrease in price. Is it the miller, the speculator or the consumer?

Mr. WOODS: In the first place I will correct one mistake you made at the beginning that we regulate the price. We do not. We regulate the trade and we get the full value of it. Of course, from the producers' standpoint there are no profits in a declining price. It is lost. After the de-control by the Wheat Board wheat kept going down until it got down to one-third of what it was selling at and the farmer was only getting approximately one-third as much as he was when the Wheat Board ceased operations. He did not get any profits but he got it in the neck alright.

Of course the consumer gets the benefit but as the price to the consumer was declining, and he was taking his loss, the consumer only got the benefit of about, I think, approximately, if you will follow it down, I think you will find that the consumer got the benefit of about one-half of the loss that the producer met. I am not sure about this. I won't make those relations arbitrary, but I think you will find the

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consumer got just about one-half of the benefit that the producer lost. What came of the other I don't know.

Hon. Mr. ROBB: To come back to the price to the miller, starting at \$2.30 you say they did not make and change until it went up to \$2.80. During that period was the price of flour controlled also?

Mr. WOODS: Yes.

Hon. Mr. ROBB: So the miller did not get any more?

Mr. WOODS: No.

Hon. Mr. ROBB: The flour that the miller exported, did he sell his flour at the same price as the man who was paying \$2.80?

Mr. WOODS: You would have to get detailed information in regard to that from Mr. Riddell or Mr. Stewart. In a general way that is the fact. I think I can give you approximately the facts. The Board controlled the price of flour. I think in most cases negotiated all the foreign sales of flour made in Canada, if the millers had flour to sell and they had to get permission to make a foreign sale of flour and the price had to be approved by the Board. If the price was for the domestic flour the Board got the excess. That was the system and the miller was not allowed to take the cheap flour, made out of the cheap wheat that he was getting and compete against our wheat in the foreign market. That was what that was done for, because while we were selling the miller wheat at 25c. or 40c. a bushel below the foreign value of the wheat, of course he could have cultivated a tremendous business by buying that cheap flour and selling it in competition with our own wheat in the foreign market. The sale of foreign flour was fully regulated by the board.

Hon. Mr. STEVENS: Did not that result in compelling several of the mills in Canada to temporarily shut down?

Mr. WOODS: No, sir. Some of the small mills got into difficulties, but I think the general feeling of the small millers was that they were protected by the Wheat Board. The secretary of the Ontario Millers' Association—the association of the small millers in Ontario and Eastern Canada—was very anxious to see the operations of the Wheat Board continued, and I believe the workings of the Wheat Board gave protection to the small mills against the large ones.

Mr. SUTHERLAND: You have just stated that you regulated the price of flour?

Mr. WOODS: Yes.

Mr. SUTHERLAND: You also regulated the price of the by-products. Upon what basis do you justify having fixed a spread of \$10 between the price of bran and shorts? It resulted in the bran being ground up and disposed of as shorts, because it was sold at \$10 more than the bran was sold at.

Mr. WOODS: I do not know what relation of prices was fixed in that connection.

Mr. SUTHERLAND: But there was a spread of \$10 between the two.

Mr. WOODS: I do not think there was quite so much spread as that.

Mr. SUTHERLAND: Yes.

Mr. WOODS: I do not know the reason for fixing the spread as it was fixed.

Hon. Mr. STEVENS: Do you consider it in the interests of the general business of the country dealing in cereals, both producing and milling, that a Wheat Board constituted as the old Wheat Board was, should have the power to prevent the export of flour as the old Wheat Board did?

Mr. WOODS: Well, where they are buying wheat at less than its export value, I think it is. But if they are paying the full export value for wheat there would not be any occasion for it.

[Mr. H. W. Woods.]

Hon. Mr. STEVENS: Permit me to furnish an illustration of my point, because I think this is one of the most important points in connection with this whole matter. I have personal knowledge of an incident which occurred while the old Wheat Board was operating. Several mills—not the largest mills, but moderate-sized mills—had for sale a surplus of flour amounting to about 100,000 barrels, I think. They had a definite sale for that flour in Seattle. There was a very heavy adverse balance of trade against Canada at the time which influenced the rate of exchange to some degree. The Wheat Board absolutely refused to permit those mills to export that 100,000 barrels of flour to the American market where it could have been sold at a very advantageous price. The price was slightly below the Canadian price, but with the added exchange it made a very good transaction. My point is this: is it a good thing to invest a board with the power of regulation that will enable it to control international trade? If so, what reasons for that course can be furnished by Mr. Woods and others who were strongly supporting it?

Mr. WOODS: Do I understand you to say that these mills wanted to sell this flour at less than its domestic value?

Hon. Mr. STEVENS: That would hardly be a correct statement, because there was at that time 17 per cent exchange, I think, and the exchange raised the price above the domestic price. The whole of the profit was in the exchange, in any case.

Mr. WOODS: If there was an instance where the Wheat Board refused to permit millers to sell flour to a foreign market and get exactly the domestic price, I have no information in regard to it. If you will investigate the matter further I think you will find that there was some other complication. I do not know anything about the case to which you refer, but I know the method of the Board. If they had gone to the Board and said, "We can make this sale in the United States, and we want permission to do so, and will turn over to you all the proceeds of the sale above the net domestic price," I think they would have had no trouble in carrying out their wishes. I think you will find upon investigation that there was some other complication there. Mr. Stewart and Mr. Riddell, if you can give them some notification beforehand, will be able to furnish every detail, and exactly the reasons for what they did. I do not know of any case where any one was prevented from making sales if the sales were made in accordance with the regulations, and I think the regulations were absolutely fair and just.

Mr. HUBBS: What would the people of Canada think if this Government enacted legislation that would put under the control of this Wheat Board 200,000,000 bushels of wheat at even \$1 a bushel? In my opinion it would create a combine in connection with the bread of Canada to just that extent. Furthermore, what would be the influence it would have on the rest of the industries of Canada? How would it work with the establishments manufacturing implements if they had full control of the sale of the implements? Would it not work out in practically the same way? Would not this thing simply be a combine?

Mr. WOODS: Well I think if the manufacturers of implements came to the Government and said to the Government "We cannot sell our implements to advantage and we would like to have a Board such as the farmers are asking for because they cannot sell their wheat to the best advantage" I think the Government should at once give them what they want. But I don't think the manufacturers are going to come and tell you they have not got a centralized agency for their selling requirements.

Mr. ROBB: You mean by that the Government would require the farmers to buy their implements from the Canadian manufacturers?

[Mr. H. W. Woods.]

Mr. WOODS: I don't know that that would necessarily follow. I don't know that there would be any objection to that. I wish the Government would organize such a Board and tell the Canadian manufacturers they had to sell to the Canadian farmers at less than the foreign value.

Mr. SUTHERLAND: You apparently did not have the Canadian farmer very much at heart when you permitted the millers to obtain \$10 per ton for bran ground up and disposed of as shorts. Live stock interests suffered very much as a result of that.

Mr. WOODS: You can get all the information you require in regard to that matter.

Hon. Mr. CRERAR: I might suggest that the gentlemen who had charge of the handling of this business, Mr. Stewart and Mr. Riddell, will be in a position to give this information to Mr. Sutherland and the Committee when they appear here, as I understand it is the intention they shall. We are discussing now not the criticisms of the details of the Wheat Board. We are attempting to discuss the broad principle as to whether it is justifiable to the market.

Mr. SUTHERLAND: Mr. Crerar's objection does not coincide with a statement that was made by Mr. Woods a moment ago when it was stated "We do not regulate the price, we regulate the trade." I was simply pointing out they do regulate the price.

Mr. WOODS: I did not say we did not regulate the price of bran and flour. I said we did not fix the price. We did not set the price on wheat, but we did regulate and set the price on mill products but we did not set the price on anything else. There was an awful lot of criticism went up from some of the Eastern farmers and dairymen about the price of bran. They wanted this bran and shorts at a lower price so that they could produce milk at a lower price. Needless to say it was the very cheapest feed there was in Canada at the time. Just to give you an instance: A newspaper man came into my office in Calgary one day and he wanted a red-hot interview about the price of bran. He told me about buying a couple of sacks of bran that morning for his milch cow and what he paid for it sacked and delivered at his barn. I said how much is that a ton? He figured it up and I think it was \$43 a ton. I said "That is terrible; that is awful." But there is this, the farmers of Alberta to-day are buying the poorest kind or quality of hay to keep their cattle from starving to death. At the very time that awful howl was going up in the East about the high price of bran and shorts the farmers of the West were paying from \$40 to \$100 a ton for hay to keep their starving cattle alive.

An Hon. MEMBER: Is that the reason you raised the price of bran, in order to help them out?

Mr. WOODS: We could not get the bran. Only the Americans could get it.

Hon. Mr. STEVENS: I would rather hesitate to ask any more in view of the lecture the member from Marquette has read to us, but I ask this in good faith. I don't see how we can get at results unless we do ask questions, which are critical, but I don't think Mr. Woods will be hurt by any slight criticism that will be made here. Do I understand Mr. Woods right in a speech to say that the price of export wheat is fixed in the foreign market? I will use another preposition, fixed by the foreign market.

Mr. WOODS: Yes, it is the foreign value.

Hon. Mr. STEVENS: I don't want to appear very critical but it seems to me this is a point we ought to establish and I don't consider it a technical question that Mr. Stewart or Mr. Riddell could enter. I think it is a question upon which pretty well-decided opinions are held. Does the foreign market fix the price for export wheat in Canada?

Mr. WOODS: It is a little bit hard to get a correct statement of just what is involved. There is the foreign demand and we have the supply. Now, just exactly what fixes the price where a limit is reached between the supply and demand depends

[Mr. H. W. Woods.]



on certain factors on both sides. Here is the foreign demand we will say over here, here is the supply. Now we will assume this foreign purchase is made by some centralized purchasing agency, which was done during the war and just after the war. Now if that purchasing agency is centralized it has the ultimate possible power in its purchasing. But supposing the central agency is decentralized, as it is at the present time, then the price is fixed almost primarily by the law of supply and demand, affected very materially by the contract between the centralized purchasing agency and the decentralized selling agency, so you have the law of supply and demand operating of course. If the buying and selling agencies were equal perhaps you would reach almost the normal level of the law of supply and demand in the sale, but if one of those agencies is very strong and the other is very weak you overcome the law of supply and demand. You could not say the price was fixed by a foreign demand because the other things enter into it. Even then you would have to put in the supply.

Hon. Mr. STEVENS: Do you expect by the constitution of a compulsory selling agency or wheat board to so influence this relation between the seller, the Canadian market and the purchasing market, the European market, so as to increase the price in the foreign market?

Mr. Woods: Yes, I think so. I am not certain, but I think I can risk that answer.

Hon. Mr. STEVENS: That it would have that result?

Mr. Wood.: Yes.

Hon. Mr. STEVENS: Then it would have also the corresponding results of increasing the price for the domestic market?

Mr. Woods: Yes, it should.

Hon. Mr. STEVENS: A moment ago you made the statement that every extra dollar brought into the country would be in the benefit of all. Now, that is of course based upon the reasoning to which you have now given expression, namely that the organization of the Wheat Board is calculated to increase the price of wheat in the foreign market, which in the reflex action will increase the price of wheat in the domestic market, and my friend from Marquette upbraided me now, he says "No, no."

Hon. Mr. CRERAR: Go ahead.

Hon. Mr. STEVENS: By reflex action the increase in the foreign market will produce an increase in the Canadian market.

Mr. Woods: Yes.

Hon. Mr. STEVENS: What I understand from your remark is this that while that may be the case, the Canadian consumer is more than compensated by the increased prosperity of the country resulting from the increase of proceeds from the foreign market coming in?

Mr. Woods: No, you have not got it right there.

Hon. Mr. STEVENS: Would you follow it out from the point you mentioned a moment ago, that the local market would be increased?

Mr. Woods: The price of wheat would be increased in the home market. It was under the old board, but it does not necessarily follow that the price of flour will be increased. As I said, I think, in my opening remarks, where the price of wheat is stabilized—I do not mean absolutely fixed; I mean stabilized—the miller can manufacture on a very much less margin; and while the miller might pay on a stable market considerably more for his wheat on account of that stability, and the protection he has under that stability, he can manufacture on a narrow margin, because he is manufacturing on a <sup>wide</sup> basis and can pay a better price and still

[Mr. H. W. Woods.]

sell to the consumer at the same price. The consumer cannot pay any more. Besides the miller and the foreign trade. It would not cost the Canadian consumer any the miller has still kept on the inside of the foreign margin. It will not increase as much as the foreign market because there has got to be some margin between the miller and the foreign trade. It would not cost the Canadian consumer any more. I made this assertion—I think I am absolutely within the limits of safety—that if we raise a normal crop of wheat next year and this Wheat Board secures 25,000,000 more for the crop than would be secured under the open market, the consumer would not pay one cent more for his flour. Is that clear?

Hon. Mr. STEVENS: That is very interesting. Would you tell us how you have arrived at that figure? You have used the figure, \$25,000,000 several times; would you just tell us what basis you have for arriving at that figure so that we may have an intelligent grasp of its significance.

Mr. WOODS: You cannot absolutely arrive at it by any detailed analysis; it can only be by an estimate. In the sale of the 1919 crop—I forget just the number of bushels involved—but it was estimated by men who were in the best position to give intelligent information of any men I know that the saving to the farmer in the sale of that crop, on a very conservative basis, was \$50,000,000. From what information I had in regard to that matter, I was satisfied, even before I heard that estimate of the expert's, that that was a very low estimate.

Hon. Mr. STEVENS: You cannot guess or give us any general principles on which that estimate is based?

Mr. WOODS: Some of the details on which the estimate is based I would not care to give. You cannot arrive at that absolutely. But take the rise and fall of the market during the past year. Here is the value of wheat one time, and here is the value at another time—up now and down now, farmers selling, catch as catch can; and it is reasonable to suppose that if the flow had been controlled and the price intelligently negotiated, you could have kept the market somewhere near stable, not at the low point, but near the high point. If you will follow the market closely, and take the rises and falls, and assume—which I think is perfectly fair—that intelligent control of the flow and negotiation would have kept it somewhere near the level of the peaks, I think you will fully justify the \$25,000,000.

Mr. McKELVIE: Is it contemplated under this Board to have any control or regulation for the distribution of railways and steamships, or, if not, would there not be a danger of congestion if you set out to sell large quantities?

Mr. WOODS: The old board did.

Mr. McKELVIE: Is it contemplated by the new board?

Mr. WOODS: We assume so. We are asking for the reinstatement of the Wheat Board, and I presume that that involves practically the same terms.

Mr. ANDERSON: I would like to ask if Mr. Woods thinks that if the board had been in existence in 1921 it would have relieved to any great extent the financial condition of the western farmers.

Mr. WOODS: I think "relieve the condition" is too strong a term. I think it would have saved a lot out of the wreckage, but it would not have relieved the condition. Every million dollars helps just that much, and I think it would have saved the western farmers quite a good many million dollars but not enough to give actual relief.

Mr. ANDERSON: Was it not the failure of the crops that caused the present financial condition of the western farmers? Am I right in that?

Mr. WOODS: No, you are not. Of course, conditions in the west were such that some have had three or four successive crop failures. The conditions are appalling. Those people are being taken care of, and actual starvation is prevented by contribu-

[Mr. H. W. Woods.]



tions from the Government and other sources. But where they have raised fair crops, men are totally unable to pay their debts, and their credit is exhausted. While they have got something to-day, they are not starving, and they do not have to be given relief. But their financial condition is just as bad as it well can be. For instance, there have been instances where oats—of course, these are extreme instances; you understand that—there have been instances where the carload of oats did not bring enough to pay for the freight, and there have been hundreds, even thousands, of instances where oats have been sold at the railroad after being hauled greater or less distances—some of them forty or fifty miles—that is an extreme case too—at fifty cents, while in many cases they have paid twelve cents for the threshing. There is another point: the farmers themselves have been violently abused for charging so much for threshing. They used to thresh for three, four and five cents per bushel, but they used to hire help at \$1.50 and \$2.50 per day, when they did so. During the last two or three years the farmers have been paying from \$6.00 to \$12.00 a day.

Hon. Mr. STEVENS: The Wheat Board would not control coarse grains;

Mr. WOODS: No.

Hon. Mr. STEVENS: It would not affect the oat market?

Mr. WOODS: No; but the farmer, when putting in his crop, emphasizes the grain which he thinks is most likely to yield a profit.

Mr. ANDERSON: You made the statement, Mr. Woods, that the western farmers were producing at a loss. Have you any estimate of the loss on the 1921 wheat crop?

Mr. WOODS: I do not know what the average price of wheat has been, but I have heard it stated that they would get absolutely no profit from a less price than \$1.30 per bushel.

Mr. ANDERSON: Is not that based on a certain number of bushels per acre?

Mr. WOODS: It is based on an average. Of course, you have to put your estimates on an average.

Mr. ANDERSON: An average for each year?

Mr. WOODS: The average for the year, perhaps. A better average is an average over a term of years, but where you make an average over a term of years you have to average the cost each year. You will produce one year's crop at one cost and another year's at another cost, and your product rises or falls from year to year. I think the average I mentioned was for the last year.

Mr. FORRESTER: Mr. Woods stated that he had heard that the farmers could obtain absolutely no profit from a less price than \$1.30. Was not that caused by the high price of labour and the expenses incurred in threshing, and so on?

Mr. WOODS: Yes; overhead expenses constitute an important factor at the present time, for while the price of our farm products is down to practically pre-war level, and in some cases below that, all overhead expenses are very much higher, and the only way in which permanent relief can be secured is to bring those overhead expenses down to a level with the price of the product.

Mr. McKAY: If the Wheat Board is all that you claim it to be, why do you not ask for its re-establishment on a permanent basis?

Mr. WOODS: Well, there are several reasons. There is a great deal of objection everywhere to that method of trading. I am not convinced that it would be a good thing to re-establish it on a permanent basis if there were no objections. Furthermore, a bad Wheat Board would be a bad institution. That is the reason we lay emphasis on the re-establishment of the old Wheat Board including largely the personnel of that board. That was an efficient body, and an efficient Wheat Board is a very satisfactory institution; but I do not think anything could be worse than a Wheat Board that was inefficient and mixed up with politics.

[Mr. H. W. Woods.]



Hon. Mr. STEVENS: I want to ask Mr. Woods two questions on economic principles. First, do you believe—you are speaking now, as I understand it, as President of the Canadian Council of Agriculture—that the producer should have the fixing of the price?

Mr. Woods: No.

Hon. Mr. STEVENS: Secondly—

Mr. Woods: Just wait a minute. I want to correct my last statement. I do not think he should, but if every other fellow has got the fixing of the price, I do not see why he should not. I think the whole question of price fixing is wrong.

Hon. Mr. STEVENS: I do not want to argue that.

Mr. Woods: Neither do I.

Hon. Mr. STEVENS: All I want is an answer to my question as an economic principle. I understand your answer to be "No" to the direct question.

Mr. Woods: You are talking about fundamental principles now?

Hon. Mr. STEVENS: Yes.

Mr. Woods: I think "No" is a satisfactory answer.

Hon. Mr. STEVENS: Do you think it is a sound economic principle to compel any man to sell his products through any given agency, governmental or otherwise? To put it more briefly, is the compulsory feature of the Wheat Board in your opinion compatible with sound, democratic, economic doctrine?

Mr. Woods: I think it is absolutely compatible with present conditions, because it is exactly what we have. We have only one grain system; how are you going to sell through any other?

Hon. Mr. STEVENS: In other words, it is sound as an emergency?

Mr. Woods: It is sound under present conditions, because that is what we have. We have a commercial system through which we have to buy all our supplies, and we cannot buy through any other system. And we cannot buy through any other system. We are compelled to buy through them, how can we? I want something that the manufacturer is manufacturing in eastern Canada. How am I going to get it? I have got to get it through the system and I cannot get it any other way. The only way I can get it from his factory is to go and undertake to steal it. I don't want to do that.

Hon. Mr. ROBB: Men growing oats last year suffered even more than men growing wheat. Is that right?

Mr. Wood: I think it is.

Hon. Mr. ROBB: Do you desire a board to control that?

Mr. Woods: No, we don't.

Hon. Mr. ROBB: It is near one o'clock and I want to go back and clear up another matter we had a moment ago. At the time the price was fixed for wheat, at the time the price was \$2.15 for wheat, the initial price in Manitoba and Saskatchewan; what was the prevailing price across the line in the United States during that period, as it worked out from month to month? The price went up a bit. You said there were some quantities went over there. How much more do they get delivered in the States.

Mr. Woods: I would give you these figures from memory.

Hon. Mr. ROBB: Just approximately.

Mr. Woods: Don't get that mixed up with the price of wheat. That is the initial thing. The price of wheat to the millers of \$2.30 a bushel.

Hon. Mr. ROBB: And the price of the foreign trade was from \$2.30 up.

[Mr. H. W. Woods.]

Mr. Woods: I cannot give you the price day by day of course but I think the figures I am giving you up to the last of November—I am not sure of that I think it was up to the last of November, there had been about six hundred million bushels of wheat sold in the United States. The average price to the farmer, delivered at the country elevator, I think in North Dakota was \$2.41 a bushel. The average price to the farmer in South Dakota was \$2.40 and I think the average price in Canada was \$2.16 and the average price in Oklahoma was about \$2.06 and in Texas about \$2.00. The average price of the six hundred million bushels was \$2.15 and a fraction.

Hon. Mr. ROBB: You are sandwiching in the Southern crop of good hard wheat. What I want to know was the price along the line in North Dakota.

Mr. Woods: It was \$2.41 and in South Dakota \$2.40 but keep this in mind, in 1919 they had approximately the same amount of Northern wheat, northern grade in the Northern wheat belt that they had in 1918, but they had I think approximately twice as much low grade and only half—no I believe it was only one-third as much high grade as they had the year before. There was the greatest demand for winter wheat for flour supposed to be made out of this hard wheat in the United States that ever had existed. By raising the price of this little dab of high grade northern wheat that they had across the line the millers sold limitless quantities of wheat at the price based on it.

Hon. Mr. ROBB: Suppose we accept your view and establish a Wheat Board and the price in the United States should go up as it did then 30 to 40 cents a bushel over the Canadian price and we compel the Canadian farmer to sell to this Wheat Board instead of smuggling it across the line.

Mr. Woods: If he can smuggle it across the line he can smuggle it away from the Wheat Board; there would not be much of that. This wheat that was sold in 1919 was not smuggled across there, it was sent across there by special permit.

Hon. Mr. ROBB: In some cases it was taken out of the elevator along the South Western line and anything that went over in a wagon was smuggled. There was a lot of it done. I think we are all agreed—it does not make so much difference what we pay for the sixty million we consume in Canada. If we can get 25 cents a bushel more for the other two hundred and fifty million so much the better. Supposing we determine to hold up our wheat until we get a certain price and we accumulate it until we have a hundred million bushels of wheat, what effect would that have on the markets of the world?

Mr. Woods: It would not have any effect on the actual markets of the world. The effect would be on the purchasing powers, the purchasing agencies by controlling the flow. A gentleman over here suggested a while ago "Here is the foreign demand, here is the buying agency for it." Our wheat is all being rushed on the market and ordered to be sold. They manipulate the market by withdrawing and forcing the price down because they won't buy. We can hold the hundred million, which is conservative estimate—there may be more than that, there may be one hundred and fifty million and we have that wheat in store under the control of one selling agency, and when they really want this wheat and get anxious to buy they will negotiate for it. You don't have any idea in the world trying to influence foreign markets by storing the wheat until they get without the wheat, because that would be impossible.

Hon. Mr. ROBB: Would this destroy the very object we desire to obtain? Would it bear the market?

Mr. Woods: I don't think so, I don't see why it would.

Hon. Mr. ROBB: Might it have a tendency to direct these purchasing agencies more to the other selling agencies?

Mr. Woods: We would have them to compete with.

[Mr. H. W. Woods.]

Hon. Mr. ROBB: Would not the competition be even better than with a normal control?

Mr. WOODS: With the other selling agencies I don't see how it would. We are competing with them now but we are competing without intelligence. Then we would be competing intelligently not only with our competitive sellers, but with the men who are buying.

Hon. Mr. ROBB: You remember our friend Leither tried that a few years ago.

Mr. WOODS: To corner the market.

Hon. Mr. ROBB: Yes.

Mr. WOODS: We are not trying anything of that kind. The supply is here, the demand is there. You want to negotiate the price between the supply and demand, the question is are you going to do it intelligently?

Mr. McMURRAY: Under your system the farmer who sends in his wheat, where does the money come from out of which these advances are made, and what amount would you expect would be maximum that would be required to be advanced to the Wheat Board?

Mr. WOODS: It would depend on the market, it would depend on the amount of wheat and it would depend on the flow of wheat. This gentleman suggested there might be one hundred million bushels accumulated, there may be one hundred and fifty million bushels accumulated or the flow might be such that there would not be twenty-five million accumulated. The more rapid the turnover the less money required to carry on. I don't think that would be a very serious problem to deal with. I don't know what the maximum amount was that the old Board had. I am inclined to think it did not go much above one hundred million. Here is another thing, as you proceed in making the initial payment you accumulate a certain amount of operation expenses yourself in the participation.

The CHAIRMAN: I would like the Committee to decide whether they are finished with Mr. Woods.

An Hon. MEMBER: I would move we sit again this week. I would ask that the work of this Committee be expedited and if possible to sit to-morrow.

Hon. Mr. STEVENS: Why couldn't we sit this afternoon at 4 o'clock. This is estimate day, the House will be engaged in Committee I expect most likely. There is a question coming up appertaining to this Committee I think which might take a little while to report on.

The CHAIRMAN: Not to-day.

Hon. Mr. STEVENS: I should think we could meet here at 4 o'clock.

The CHAIRMAN: Is it the pleasure of the committee to meet at 4 o'clock.

Motion agreed to.

Mr. GARLAND: Do you wish to hear Mr. Woods again?

Mr. CHAIRMAN: We will hear Mr. Robinson.

Mr. McMURRAY: There are several pamphlets containing rules and regulations covering the Board. It is possible the Secretary could distribute those to us. If we had those it would be of assistance to us if they were distributed.

Committee rose till 4 p.m.



Committee resumed at 4 o'clock.

The CHAIRMAN: This morning we had been listening to a report from Mr. H. H. Woods. I think the Committee would like to hear from Mr. Robinson of the Council of Agriculture.

Mr. ROBINSON: Mr. Chairman, and Gentlemen, the main argument in support of the request of the Council of Agriculture for the re-establishment of the Wheat Board will be found embodied in a certain memorandum which was presented to the Government a short while ago, copies of which I understand have been placed in your hands. Then we have had a very full, very free and very interesting discussion of the matter this morning, and in view of this it is not my intention to weary you with any lengthy remarks. There are one or two points, however, that I would like to discuss and if I have to refer to matters that have already been dealt with, my object in doing so will be to endeavour to the best of my ability to give a little further information to this Committee. There are two reasons which prompted me to come here in support of the request. The first is the very peculiar condition in which the Western farmer finds himself to-day and the other is that in so far as my own personal opinion goes I am firmly convinced that no other measure of relief will be of any practical service, or even noticeable service to the farmer under present conditions. The condition of the farmer has been referred to and I do not like to say anything that might leave you men to term me as a calamity howler, but I think that we must face the facts. The condition of the average farmer in the West to-day who depends on the raising of wheat as his main means of earning his living, is that he finds himself in the position that he is not able to meet his liabilities. It may be said that this condition is owing to mismanagement. While that might be true in individual cases, I am convinced that the farmer is in his present unsatisfactory position because of influences over which he has no control. He has had a series of bad years; he has had to put up with drought, with hail, with grasshoppers, and with something that is not so widely known, but is of equal danger to him, and to his crops. I refer to the wheat stem saw-fly. He was also led to do certain things because of good advice that was showered on him. You remember a few years ago that everybody was advising the farmer to produce and keep on producing, and he believing it was his patriotic duty did so; and many farmers incurred liabilities in those days in the effort to provide more food for our boys overseas and their allies. He entered into obligations that now when he has to meet them he finds he is unable to do so. At present people are saying, "Well, the farmer will go on anyhow." He has done so faithfully and is keeping at it,—it is true he grumbles sometimes but that is about the only privilege that is allowed him, and he has still kept going on, but I want to assure you, Mr. Chairman, and the hon. members of this Committee that many farmers are seriously considering whether they will go on and attempt to produce grain under conditions which will mean only a loss to them. It may be asked "What has this to do with the re-establishment of a Wheat Board, and what effect would it have on the price which the farmer receives for his grain?" Let me bring before you a little more in detail the influences that are operating on the farmer, he has his liabilities to meet and everybody that he is doing business with is insisting that he rushes the wheat to the market as quickly as possible. It is well known that the usual thing is that the wheat prices are higher at the opening of the market than they are say a month or two afterwards, and those who are able to get their

[Mr. James Robinson.]

grain ready for market early, do naturally, without any urging, rush their grain to the market in order to secure these prices. Then the other fellow who is not in position—the other farmer who is not in position to do this will be urged by the banker who has been giving him accommodation that the sooner he gets his wheat to the market the better will be the price he receives. The storekeeper will do exactly the same thing, likewise the man who he has bought his implements from. They are all telling him that they are advising him for his good, that he must get his wheat out early in order to get the good prices, and they overlook the fact that by taking this advice that is thrust on him by everybody, he is hastening a condition which they tell him they are trying to avoid, that is to say, they are forcing him to glut the market early in the season. Just to show you how this will effect the wheat market I will give you some figures relating to last year's crop, the crop for which the marketing is now being completed. In 1921—and I would just ask the members to make a note of the figures to see if they mean anything to them. In September the inspections at Winnipeg amounted to 33,011,520 of all grades of wheat and the price which this grain brought amounted to 53,725,000. In October the delivery was 56,165,090 bushels of wheat and the price received was \$61,876,000. In November the market was 38,836,775 bushels and the value of that was \$27,127,000. I want to draw your attention to the fact that in November the amount marketed more than was marketed in September was only about 5,000,000, but the amount which the farmers received for that is just about exactly one-half the amount a similar amount of grain brought in September. The grain forced on the market in November brought just a little more than half as much in value as it did in September. Now I spoke of the farmers' condition that it required something that would give him encouragement. The farmer has had an experience with the grain board and he is satisfied with it. I might say to you, Mr. Chairman, that I have met in one way or another a very large number of farmers from the provinces of Saskatchewan and Manitoba and I want to say that I have not met a single solitary individual who is not out and out in favour of the re-establishment of the Wheat Board. You will remember that at the time shortly after it was appointed the impression got abroad and rightly or wrongly a large number of farmers believed it—the question was that the Wheat Board was appointed, not that it might assist the farmer in getting a better price, but that it was appointed to keep the price of wheat, to keep it from soaring away up out of sight. Then a month or two or three months after it had started operation what seemed to be an organized complaint was carried on in a certain section of the press, and curious enough it was done in a way that looked very plausible. Farmers were being told that their grain, their main source of income, was being handled by a body over which they had no control. They did not know what price it was being sold for, and it was their duty to get up and insist that the Wheat Board should be forced to give this information. I don't know who inspired that, but some one did and it had a most excellent result. We were fortunate under the late Wheat Board in having men who were not only good business men but men of backbone. They paid no attention to these things believing that the information asked for, if published would not have the effect that was expected, and they held their peace and paid no attention to it. Finally they did give a statement as to how they were getting on. They did say a certain interim dividend would be distributed on the certificates, and from that day till this day I have not met a single solitary farmer who objects to the re-instatement or who is not an ardent advocate of the re-establishment of the Wheat Board. I say that in view of the determined influence that was used to make the Board do certain things that would not have been in the interest of the farmer in spite of the fact that they started out prejudiced against its appointment, they have to-day and they are not a bit backward in expressing confidence in that Board and I may further state that if their statements

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are to be taken at any value they have no confidence in the present method of handling grain and they base that lack of confidence on their experience with that system in the past.

Now, a good deal has been said this morning about what actually sets the price for grain. Some say one thing and some say another thing but I would like to meet someone who could tell me any one particular thing that does set the price which the farmer receives for the grain when he sells it. I would just like to refer to some of the methods involved—I have no quarrel with the grain exchange, I want to state that so long as business is fairly carried on under the present system, that it is a necessary institution and renders good work in the matter of regulating the trade, but I do claim that it permits certain things which in my opinion are injurious to the man who produces the grain. You may probably know that a large amount of grain grown by the western farmer is sold before the farmer seeds the grain. I had not noticed in the press that October options were being traded in November, but I feel certain that in two or three weeks it will be—and while I have not figures to show I will make the guess that under ordinary circumstances by the first day of June the amount of trade recorded in the clearing house of the great exchange will equal in bushels the entire crop that will be grown on the western prairies during this coming season. I would like to know how any man can go out and sell anything that he does not have in his control at the time of the sale. That he does not know whether the crop will grow or whether it won't grow, that he does not know a thing about it, that he will actually go out without consulting the grower the man who is mainly interested in that and sell it without any reference whatever to the man who is depending for his living on it. It may be argued, and no doubt will be, that a sale implies a purchase and vice versa and that one will balance the other in steadying the market, but it does not, which actual figures will show. I have given you figures on it and I think I shall be able to prove by those figures that it does not. For example, supposing that I wanted to have a little speculation as soon as the market opens and I had the means to put up a margin sufficient to carry a hundred thousand bushels. Supposing I made that sale at \$1.50, what do you expect my interest would be? Why, it would be to buy that grain at a lower price than I sold the option, and it might be possible that I could buy the actual grain that I had already sold at \$1.50; I might be able to buy it to fill my order at \$1.25. Who do you think would get the difference? Would I have to do anything in order to do that? No. All that I would have to do is just quietly sit down and do nothing. I have referred to the influences that are compelling the farmer to sell his grain on the market. I have made my sale possibly before his grain is cropped, and all I have to do is to keep off the market and the fact that it is being thrown in such volume in a short period in the fall will cause the price to sag. Who gets the difference? The speculator. Then the next question you might ask is who is the speculator? I suppose the first thought that would come to the farmer's mind would be the grain exchange. But that is not so. You go to any broker in the city of Winnipeg and ask him where he gets his orders from for option trades and you will get the reply perhaps, if he cares to give it. You will find that clerks in the stores, salesladies, men working on the street perhaps if they can scare up enough money to do it, men in business, farmers, yes, and even preachers and I would not be surprised that if you look in closely you would find the names of some members of parliament. Those are the speculators, those are the people that get the difference that somebody was talking about in the forenoon. They get it. As I understand it, the object of the farmers (through the Council of Agriculture) is to see if some method of handling grain cannot be devised and put into practice that will put into their pockets instead of the pockets of the speculators the entire proceeds of their grain.

There is another question that was referred to to-day. I refer to a comparison of prices under the Wheat Board with the price obtained across the line. I submit, Mr.

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Chairman, with all respect to the hon. gentleman who asked that question, and also to my friend who answered it, that no fair inference could be drawn from the question asked and the answer given thereto without considering certain other facts connected with the subject, and I will endeavour to bring those facts before you. Under the international agreement then in existence (it may be in existence yet) any farmers living within a certain distance of the boundary line could, if there was an elevator situated on the American side at a point nearer to his home than an elevator on the Canadian side, haul his grain over to the American side and market it. That is to say, he could haul it over there by the wagon load. If, on the other hand, an American farmer's farm was located closer to an elevator on the Canadian side than to an elevator on the American side, he could haul his grain over and sell it on the Canadian side. So far as I know, no bonded elevators exist in Saskatchewan—they may exist in Manitoba—but they do exist in the territory across the line opposite Saskatchewan. The farmers who enjoyed the privilege were very limited in number and located on a narrow strip some ten to fifteen miles wide. They could take it across the line if they saw fit. I have no doubt they did receive a higher price by the load than the advance price they would receive on the Canadian side. At the same time, there was an embargo on Canadian grain, and no Canadian grain could be shipped over the border so long as that embargo remained in existence. What happened? On the 15th December, 1919, that embargo was removed. I would like to ask this Committee if they believe for one moment that the American miller and the American grain dealer asked for the removal of that embargo in order that they might pay the Canadian farmer a higher price for the grain than they would pay for similar grain from the Wheat Board? I make this statement, that they did it because they believed they could buy grain cheaper by the load from the Canadian farmer than they could obtain similar grain through the Wheat Board. To my mind, that is a good argument in favour of the reinstatement of the Wheat Board.

I would like to emphasize what has already been said to the effect that we do not expect a Wheat Board would increase the price received for grain in the ultimate market. We do not believe that the re-establishment of the Wheat Board would increase the price of flour to the consumer one cent in any part of Canada. We do believe that it would stabilize prices. We do believe that it would prevent the throwing of large amounts of grain upon the market at a period when there were no buyers. The fact that we are compelled to market grain within three months is well known to the European buyer and also to the British buyer particularly. We are all patriotic, but we must remember that in trade the Britisher is not any more patriotic than anyone else. He wants to buy his supplies just as cheaply as he can. It is true that at the present time we have competition. A great deal has been said about that, but there is one form of competition about which I have heard nothing said, and that is the competition in selling. If the Wheat Board is re-established there will be only one buyer—

An Hon. MEMBER: You mean only one seller, do you not?

Mr. ROBINSON: I mean that at the present time if a buyer in the Old Country desires to buy his supplies at a cheaper price he remains away from the market. If the Wheat Board was in existence, that buyer would have no other source of supply. At the present time there could be competition in selling, because if one section of the farmers did not sell the other section probably would sell, and that buyer would get a supply. As a matter of fact, 75 per cent of the grain is marketed in three months and 25 per cent is marketed in the remaining nine months. I think a Wheat Board would not endeavour to rush all the grain on the market for export as quickly as the farmer was forced to deliver it. With reference to the competition in selling, supposing the farmers' companies held their supplies off the market, it might steady it for a little while, but who would benefit? They would have the grain on hand, and their competitors would sell and thereby gain any apparent advantage

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that accrued from withholding it from the market. As to the cost of flour, during the month of January the price of wheat dropped to about \$1.10, where it remained for a time, and then went up to a much higher level during the month of March. I imagine if you bought a barrel of flour to-day it would be made from wheat sold during the late period. I would like to ask you if you could go and buy a barrel of flour on the basis of the ruling price during the month of January? I venture to say you could not. The miller, of course, will take the supplies just as cheaply as he can, but I venture to say his flour price during the nine months of the year when the delivery is very light—and the prices possibly higher—is based to some extent at least on the ruling price for grain. The whole point I want to make in connection with this is that the Wheat Board would make it possible for the greatest percentage of the price that the grain brought in the ultimate market to go direct to the man who produced it, and it would not materially affect any advancement in the price of flour.

I do not think I need further trespass upon your time, but if there are any members of the Committee who desire to ask questions I shall answer them to the best of my ability.

Mr. McMURRAY: In your earlier remarks you used this expression: "The farmers of the West have no confidence in the present system." I do not suppose you were referring there to the fact that you were getting as large a price for the grain. What are the elements of the present system? Is there an elevator combine there?

Mr. ROBINSON: The farmers lack confidence in the methods of handling grain in the open market at the present time. I gave an illustration of men going out and selling grain before the seed was in the ground. They did that with a view of making money for themselves. On the other hand, supposing the Wheat Board was in existence, they would probably do something similar, but every deal they made would be a contract for the delivery of actual grain, and whatever that grain brought would go to the man who produced it.

Mr. BROWN: You are not referring to the physical handling of the grain?

Mr. ROBINSON: Oh, no. I do not think there is any combine in the physical handling of grain.

Mr. McMURRAY: You are not complaining of the elevator companies or the merchants on the Exchange?

Mr. ROBINSON: I am complaining that the present system does not lend itself to rendering to the farmer the full return to which he is entitled.

Mr. McMURRAY: Your objection is to the option trade?

Mr. ROBINSON: I gave that as an illustration. That is one of the things.

Mr. MILLAR: I obtained the impression that your evidence on one point was in direct contradiction to that given by Mr. Woods. I understood Mr. Woods to say that a little better price would be obtained on the ultimate market because of the one selling agency. Your evidence a moment ago was, I think, to the effect that the price on the ultimate market would not be raised.

Mr. ROBINSON: Not the general level. That, I think, will be determined by the demand for grain. I think what Mr. Woods probably meant is that the Old Country buyer would not be able to secure grain during these particular slumps.

Mr. McKAY: Have they in the United States a Board controlling the wheat similar to the Board you ask for?

Mr. ROBINSON: I do not think so.

Mr. McKAY: Is there a Wheat Board in the Argentine or other South American States?

Mr. ROBINSON: I do not know.

Mr. McKAY: Is there a Wheat Board in India?

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Mr. ROBINSON: I do not think so.

Mr. McKAY: Is there in any part of the world a Wheat Board that supplies wheat to the British market?

Mr. ROBINSON: For several years past the whole of the Australian wheat crops have been handled through a similar institution to the Wheat Board.

Mr. McKAY: Would it be possible, in the event of Wheat Boards being established in Canada, the United States, India—in short, in all the wheat exporting countries—for any collusion to occur to raise the price of wheat?

Mr. ROBINSON: If you ask as to the possibility of such a thing occurring, I must answer Yes. Anything is “possible”, but I do not know what the probability is.

Mr. McKAY: So far as the world's history is concerned, many such illustrations are afforded.

Mr. SUTHERLAND: I think you made the statement that an organized campaign has been carried on through the press and other agencies against the Wheat Board?

Mr. ROBINSON: I said that what seemed to be an organized campaign was carried on in a certain section of the press. I repeat that.

Mr. SUTHERLAND: What was the attitude of the Canadian Council of Agriculture with regard to the Wheat Board at that time and also in 1920 when the matter was again before the House?

Mr. ROBINSON: So far as I know, the attitude of the Canadian Council of Agriculture has always been favourable to the Wheat Board, and as a matter of fact a resolution was passed unanimously by the Canadian Council of Agriculture asking for the continuance of the Wheat Board for another year at least.

Mr. SUTHERLAND: What was the objection to making the Wheat Board permanent if it was giving such satisfaction?

Mr. ROBINSON: I believe my friend, Mr. Woods, answered that question in a very satisfactory manner. He pointed out the possibility of a body becoming efficient after being continued for a number of years.

Mr. McKAY: Mr. Woods did give me that answer, but I could not appreciate his point.

Mr. ROBINSON: I do not think I could give you any other answer, because I believe what Mr. Woods stated to be largely true.

Mr. BROWN: Was that the question relative to why the Wheat Board should not be permanent?

Mr. ROBINSON: The question referred to the reason why we are not insisting upon asking for its permanent establishment.

Mr. BROWN: The proper answer might be that it might be easier to get a temporary Wheat Board created than a permanent one established.

Hon. Mr. STEVENS: That is a very important point. I think this Committee is entitled to perfectly good faith in this matter. We have been told officially by the Canadian Council of Agriculture which has put forward this request that they only ask for a temporary Board. If their motive in doing so is simply in order to enable them to get a foothold with a view to having it permanently established later on, the members of this Committee are entitled to frankness in the matter. I do not think it affects the situation other than as a matter of fairness to those who might have a different opinion. Both Mr. Woods and Mr. Robinson—and I would like to state that in my opinion Mr. Robinson has made a very excellent presentation of the case so far as he has gone—have stated that they ask for the re-establishment of the Wheat Board as a temporary measure. I would like to ask if that is a sincere statement or is the reason furnished by Mr. Brown the correct one?

[Mr. James Robinson.]



Mr. BROWN: I would not like to suggest that that is the only reason why they asked for a temporary Board.

Hon. Mr. STEVENS: Is it a reason?

Mr. BROWN: I would not even suggest that it is a reason. I would suggest, however, that we recognize it might be easier to convince the people of Canada to create a temporary institution than a permanent one.

Mr. ROBINSON: I want to state that so far as I am concerned, and so far as every one else associated with the Canadian Council of Agriculture is concerned, so far as I know, we are perfectly sincere in asking for this as a temporary measure. From certain sources outside of the farming public certain questions have been raised, and I may say that many people state: "It is all right; you are simply fooling yourselves. Any Wheat Board would have been a success when prices were going up. You are giving the Wheat Board credit that is not due to them." And you are giving the Wheat Board credit. I want to state frankly that to my mind it was a serious mistake that they did not continue the Wheat Board for another year when, in the ordinary course of events, prices would decline. By handling the grain during the upward trend and also during the downward trend, the farmers would be in a position to say definitely whether in their opinion it was as good a thing as they thought it was.

Mr. GARLAND: Is it not a fact, in connection with the question you have just been asked as to why the Wheat Board is being asked as a temporary measure, that the producers of grain and the Council of Agriculture are looking to normal conditions to build up something of a more permanent character, but that they cannot do so in the meantime, and they are asking for this to tide them over until they can?

Mr. ROBINSON: That is perfectly true.

Mr. McMURRAY: Under this scheme is it proposed to pool all the grain, to pool the freight rates?

Mr. ROBINSON: No.

Mr. McMURRAY: It does not embody that at all?

Mr. ROBINSON: We are asking for the re-establishment of the Wheat Board along lines similar to that under which the former Board operated. A certain price was advanced to the farmers but that price varied according to the trade rate. There was no pool of freight rates so far as I know; but there was a pooling for the price.

Mr. SUTHERLAND: You made the statement that the farmers had had experience of the Wheat Board and were perfectly satisfied with the way in which it was operated.

Mr. ROBINSON: I made the statement that every farmer I had met in Saskatchewan and Manitoba was outspoken in his desire to have it re-established, and I have not heard a single complaint from any one of those farmers whom I have seen personally. I have read a letter in this city from a farmer in Saskatchewan objecting to it, but I feel certain that if a plebiscite was taken from the three western provinces within a week the majority in favour of the re-establishment of the Wheat Board would be immensely larger than the majority obtained by any hon. member of this House when he stood for election.

Mr. SUTHERLAND: I took down your words. They were that the farmers had had experience with the Wheat Board and were satisfied.

Mr. ROBINSON: I do not recall whether I said that; if I did not, I would say it now. That is the view of the farmers I have personally talked with.

Mr. SUTHERLAND: What would you say in reply to the charge that the Wheat Board was asked for with the view of keeping down the price of wheat?

Mr. ROBINSON: That impression was very prevalent at the time the Board was appointed and shortly afterwards. I do say that the farmers were prejudiced and

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that certain influences were brought to bear to increase that prejudice and distrust. I also said that after the first returns were made this suspicion disappeared.

Mr. SUTHERLAND: But this was as late as June, 1920, when the re-establishment of the Board was under consideration in the House. There were statements made by farmers from the West on the floor of Parliament to the effect that this was the general opinion.

Mr. ROBINSON: I am not responsible for what hon. members say in the House.

Mr. GARLAND: I am not sure whether I got the question which the hon. gentleman has just asked, but was it to the effect that there was some dissatisfaction with the Wheat Board, and did I understand you to say in reply to him that at the inception, at one time, there was dissatisfaction but that now there is not?

Mr. ROBINSON: That is my view exactly. I had an experience last Friday that might interest you. A gentleman came to where I was sitting and said: "I say, Robinson, do you think we are going to get the Wheat Board?" I said, "I do not know; I know the Council of Agriculture will press for it to the best of their ability." He said, "Well, I hope you get it." This man was a farmer, an educated and intelligent man. As a matter of fact, he is a college graduate, a veterinary surgeon. He said: "I sent to submit something. I would like to see the Wheat Board re-established even if I do not get one cent more for my crop. It would relieve me of something that is a serious annoyance. I have to-day two cars of wheat at Fort William, and I do not know whether I should sell to-day or wait for a week or for a month; but if the Wheat Board was in existence I would take that wheat to the elevator, receive the advance and feel sure that that wheat would be sold to the best possible advantage. The chances are that I will instruct that wheat to be sold on a day when the prices are off and then I will feel like kicking myself for weeks because I did not wait longer." Now, I think that that is a fair illustration of the effect in giving confidence to the farmers, should the Wheat Board be re-established.

Mr. MILLAR: You have not touched on the effect it would have on the fall work.

Mr. ROBINSON: That is another thing. It would be of great advantage to the farmer and would mean a very noticeable increase in the acreage. Take the farmer who is living ten, twenty or twenty-five miles from the railway. As soon as he threshes he is forced to start hauling his grain, and that occupies his time when he should be preparing the land for the following year's crop. It would have a further effect in lessening the great rush during the three months of October, November and December. The creditors of the man who is living away from the railway would know that he was going to get the same price whether he delivered his grain or his wheat in September or in the following May.

Mr. GARLAND: Have you anything to say as to the transportation companies, as to the spreading out of deliveries? Would it affect that in your opinion?

Mr. ROBINSON: It certainly would. To those who are not familiar with the West I may explain that practically every year there is a serious blockade so far as the moving of the grain is concerned, and I think that that will continue for all time, so long as we are making grain growing the main portion of farm work. Now, it is not fair to expect any transportation company to move an entire season's crop within three or four months. If they are forced to do that, I think the cost of transportation would be higher; and if by regulating the delivery of the grain we could spread that out over a longer period then the railway companies would be in a better position to haul the grain for us.

Mr. BROWN: Is it not a fact that along the line of the C.N.R. there was a time last year when buyers were paying a much lower price than on the C.P.R. because of the lack of transportation?

[Mr. James Robinson.]



Mr. ROBINSON: Not in 1921; the 1920 crop. As a matter of fact, in Saskatchewan—I do not know about Manitoba—in the case of one or two companies the prices on the C.N.R. line were four cents per bushel less than on the C.P.R. line.

Hon. Mr. STEVENS: Is the necessity for rushing the grain down in October and November not partially influenced by the desire to get it to the head of the lakes before the close of navigation? Is that not one of the factors?

Mr. ROBINSON: It may be, although I think it would be rather an insignificant factor. I have tried in the earlier portion of my remarks to show how the farmer was being forced by his creditors to get the grain turned into cash as quickly as possible, and one of the reasons which they all give to him to encourage him to do that is that he would get a better price on the early market than later. I also stated that they overlooked the fact that by following their advice they were creating the very condition which they profess to be trying to avoid.

Hon. Mr. STEVENS: I quite understand that, but assuming that the slow-up of delivery in October and November was, say, 50,000,000 bushels, it would be that much less out of the head of the lakes elevators by the close of navigation. Then in marketing that through December, January, February, March and part of April, it would all have to go by rail in order to get it out of the country?

Mr. ROBINSON: As a matter of fact, I have already pointed out in answer to a question that the transportation companies own to their inability to handle the grain as quickly as it is offered. It is exactly what you suggest. The fact that they cannot take it out means that it is held at the point of delivery, that is at the country elevator. Now, in ordinary circumstances the amount of grain that must be disposed of by the average farmer would be sufficient to take forward to the head of the lakes a very large percentage of the grain. He must sell enough to pay his hired help and other incidental expenses. That will come in any circumstances, but in addition to that he is being forced to throw the grain on a market whether there is any demand or not, and instead of going to the lakes, as was suggested by the hon. member, it goes no further than the elevator which is his own local point. As a matter of fact, I know of a case where the farmer did not get it all out until the following July for the simple reason that the railway companies could not supply cars. It may interest you further to know that to-day the farmers in North Saskatchewan and northeastern Saskatchewan are in danger of suffering very severe loss. I am referring to those located on the National lines, because there has been for the last week an embargo and they will not accept any grain for shipment. In the locality affected there is a very large percentage of the grain still on the farmers' hands that is in a damp condition and liable to be a total loss through heating unless it is moved to some place where it can be treated, that is, dried.

Hon. Mr. STEVENS: I am fully aware of and I quite sympathize with the view point you have expressed, but it is argued, and I think with force and correctness, that the marketing of the crop through the medium of a Wheat Board would steady the flow, to use the expression which Mr. Woods used very aptly this morning. Is it not a fact that that would result in lessening the quantity that is put out at the early part of the season? Am I correct in that?

Mr. ROBINSON: Yes and no. You see the farmer in his present pressing financial condition would naturally want to get as much more out as he could in order to get his advance, but it does not follow that when he delivers it to the Wheat Board that they would immediately rush that on the ultimate market. They would have it pressed forward to the head of the lakes and perhaps to the sea-board.

Hon. Mr. STEVENS: I agree, but you would slacken up the total quantity of grain, never mind where it comes from. By the operation of the Wheat Board we would slow up the forwarding of this grain we will say to the head of the lakes.

Mr. ROBINSON: I think to some extent it would.

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Hon. Mr. STEVENS: Then in marketing in December, January, February, March and I think part of April, before the navigation opens, assuming that the Wheat Board desired to market during these months, they could only do so by forwarding that grain by rail?

Mr. ROBINSON: That is precisely the condition which prevails to-day. There is another point which comes to my mind—

Mr. MILLAR: Is it not the fact that under the Wheat Board as a great many of the farmers are pressed by their creditors, sufficient grain would be required during the early months of the season to supply the ultimate British market during the months of January, February and March until navigation would open? Would it be necessary to take any more grain over the old rail route than at present?

Mr. ROBINSON: None whatever, as far as I can see. I would like to refer to another method that comes to my mind now—

Mr. SUTHERLAND: Before coming to that point. This is a question that affects all the provinces. What object would there be in the farmer holding his wheat if he knew he was going to get the same price immediately it was threshed and particularly if his creditors were pressing him for money? He would naturally want to market his wheat and get the additional payment to settle with his creditors. What is the total average capacity? Is it possible to take care of it in the elevator? As far as Ontario is concerned, I know farmers have been disposing of their wheat during the past few weeks.

Mr. ROBINSON: I think I can answer that question. The farmer does not necessarily want to rush the grain on the market when he knows that by doing so he will depress the price. The average creditor whether a banker, an implement dealer or a storekeeper, if he knows his customer is not likely to lose by holding the grain, he will not bring the same pressure to bear on him to force him to get it out. I have stated that under ordinary circumstances, the farmer without any pressure will be forced to market sufficient grain to meet expense and liabilities in the way of wages, threshing, twine and that sort of thing. The banker who has given accommodation, if he knows his security is so much better by the knowledge that the value of the commodity that the farmer has to sell to meet that liability will not deteriorate and become lower, he will not press for a thing that he knows is safe or more secure under the present market conditions.

Mr. SUTHERLAND: If the argument is advanced that he is disposing of wheat at a loss his financial obligations would force him to clear it out.

Mr. ROBINSON: Possibly.

Mr. BROWN: Did not you advance a reason for the farmer wanting to market his wheat slowly? They can market their wheat much more cheaply in the winter months than in the fall.

Mr. ROBINSON: I think I stated by allowing the farmer to prepare his ground for the following year's crop he would be able to market the grain himself without hiring high priced labour to do it.

Mr. McCONICA: Would you place before the Committee the manner in which our wheat is consumed, that it is not ground by itself but it is used the year round for blending purposes and for that reason it must be marketed slowly. What proportion is used for blending?

Mr. ROBINSON: I would say the bulk of the grain is exported to the Old Country, in fact, almost all of it would be used for blending there. I imagine the grain grown in Ontario and other Eastern provinces would require some western grain for blending purposes, too. I do know that a large percentage, if not all of it is used for blending in the Old Country.

[Mr. James Robinson.]



Mr. BROWN: Was there any undue interference with the normal marketing or was there not sufficient marketed at any one time to meet the ordinary needs of the trade?

Mr. ROBINSON: I never heard of such a thing.

Mr. ANDERSON: The object of the Wheat Board I take it is to hold the wheat for the higher prices and to enable the Western farmer to hold it until the higher prices obtain. Have you ever talked over how much advance he would require on the price of his wheat under the Wheat Board.

Mr. ROBINSON: I think the hon. gentleman has misunderstood me if I said that the object of the Wheat Board would be to hold all the wheat. If I said so I did not intend to say it, but what I did say, and what I do say that at certain seasons of the year the supply of grain exceeds the actual consuming demand for it and when the market had received sufficient for its need, instead of dumping it at any price they would withhold sales for a very short period until the prices steadied again.

Now regarding the advances, under the late Wheat Board we had men in charge of exceptional business ability, men of very extensive and very thorough knowledge of the grain trade and they used that knowledge in the actual disposal of the grain. They would not be in position supposing they were appointed to-morrow, to tell this Committee what they would advance. They would want to get information regarding the world's crop, the world's conditions, and they would use the common ordinary sense they would use in handling the grain under the present conditions. They would estimate how much they could safely advance to the farmer and they would make that advance. They would sell the grain, they would not be likely to hoard grain until they would have enormous quantities on hand. They would dispose of it the way they would if they were running an ordinary export business of their own.

Mr. ANDERSON: Then a man, no matter how well protected he might be in the market sometimes makes a mistake. Providing they did advance more than they would sell the grain for, who would take care of the loss?

Mr. ROBINSON: The farmers themselves. You will remember that under the Wheat Board a certain price was set early in the season and a higher price later. I am not sure if that will apply to the street, but it did to the miller. Supposing they make an advance higher at first than they thought the whole crop would bring. Naturally on the grain that had not been marketed they would make a smaller advance. I don't think it would be likely that they would make an advance at the first provocation that would be greater than the average value of the grain.

Hon. Mr. STEVENS: I agree with Mr. Robinson that it is a very unlikely eventuality, but it would be impossible to recover from those to whom the advances had been made anything that was in excess of the final price. It would not be possible to recover from them, would it? I think it is an eventuality which will not occur.

Mr. ROBINSON: If you insist on asking my opinion on possibilities I have to repeat as I said before, anything is possible.

Hon. Mr. STEVENS: We will just put a hypothetical case. Supposing the world market next year was pretty short of wheat and the prices went we will say—at least the reasoning based upon the world market would be \$2. They fixed a price of say \$1 and upon that they brought wheat. In the middle of the season, for some reason or other the price went below \$1.50, and say at the end of the year they wound up with \$1.35 as an average. Those who had received the participating certificate at the original price and had marketed their wheat early would be in possession of \$1.50. You could not recover from them the 15 cents.

Mr. ROBINSON: It would be difficult. I could not conceive what would happen.

An hon. MEMBER: Let me suggest that a better way out of that contingency would be for the Wheat Board to be carried on a second year and those people who had not

[Mr. James Robinson.]

refunded the money would not be able to market it with the Wheat Board the second year.

Mr. McCONICA: As a matter of fact don't the elevators sometimes make you pay back an advance, have some of it paid back. I have done that.

Mr. ROBINSON: I wanted to draw your attention to one thing. Supposing the world's market would warrant the price of \$2 being considered the full value of the grain, and take the case the hon. gentleman mentioned that an advance of \$1.50 had been made. In the ordinary course of business, the advance of \$1.50 having been made on it, it would be sold at \$2. The 50 cents that was to the good could be used to offset any 15 cents.

Hon. Mr. STEVENS: That is not true but I don't think it is likely to occur.

An hon. MEMBER: That is exactly the system we have to-day. I deliver my grain from the machine to the elevator and I get \$2 for it and another man living ten miles away gets \$1.50 for it.

Mr. McMURRAY: Did I understand that the price of flour rose and fell with the price of grain in this country.

Mr. ROBINSON: Yes.

Mr. McMURRAY: So that if the farmers were getting higher prices for wheat in this country, flour would be at a higher price here?

Mr. ROBINSON: I think that is fair, but the point I want to make is this: flour does not go up and down daily the way wheat does, and if there should be a serious slump, say continuing for a week, as there has been, I don't think after that week when prices were up, you could buy flour from any miller on the basis of slump. I don't think anybody could deny the fact that if the world market warranted a price of \$2 in one season or at a period of the season and at another time could warrant it \$1, naturally the flour made out of \$1 wheat would be higher than the \$1 wheat.

Mr. McMURRAY: I understood you to say when wheat was low the price of flour would be at the price of wheat later on. It would move up with the price of wheat.

Mr. ROBINSON: In a general way that is true.

Mr. McMURRAY: Is it not true in a general way when you get a high price for wheat in this country your flour will be correspondingly high so if the farmers get the high price will not the consumer be obliged to pay the high price for flour in consequence?

An hon. MEMBER: Does it just stand for granted that the Wheat Board would be the cause of the rise of that price to the consumer? Would it positively result that the rise of the price of flour to the consumer would be caused by the Wheat Board?

Mr. ROBINSON: Not by the Wheat Board at all, no.

Mr. SALES: Isn't it a fact when we were getting \$2.53 for No. 1 wheat the flour at that time was \$7.25 or \$7.50 a sack, and this year we have been selling our wheat at 80 cents a bushel in October and we paid \$4.15 for flour? That means that during the operation of the Wheat Board in one year three bushels of wheat would buy a sack of flour. It means now that it would take five bushels of wheat to buy a sack of flour.

Mr. ROBINSON: That is about correct, I think.

Mr. JOHNSON: Isn't it a fact that as the price of wheat goes up the price of flour goes up? I understand that was Mr. McMurray's suggestion. Did you not say, or I think Mr. Woods said this also that the operations of the Wheat Board would not affect the ultimate price of the wheat when it gets to the ocean, and that the object which you seek to obtain is not in raising the price on the other side up higher, but in narrowing the difference between the two and regulating the flow.

[Mr. James Robinson.]



Mr. ROBINSON: I think I stated earlier at this meeting that one of the principal results expected from the re-establishment of the Wheat Board would be in putting into the farmers' pockets the money that we believe now goes into those speculators' pockets.

Mr. JOHNSON: During the operation of the Wheat Board, did they deal directly with the Old Country firm, or did they deal directly with the merchants of Montreal?

Mr. ROBINSON: With reference to the actual detail working of the Wheat Board I think I could answer that question but I would prefer not to, because I am a friend. It is the intention of this Committee to examine Mr. Stewart and Mr. Riddell, the men who had actual control of the handling of grain. Now I think I could answer that question, but I would ask to be relieved, because I think it would be much better for the members of this Committee to get this information from the various sources, where they can rely on it as being absolutely accurate. Now they can give you first-hand information regarding the details of the handling of wheat.

Mr. FORRESTER: Is there as much money got in speculation as there is made?

Mr. ROBINSON: I could not answer that question. If you say it is a fact it may be, but we do believe that large sums of money have been gained by speculators and we do believe that.

Mr. FORRESTER: One successful man skins thousands.

Mr. ROBINSON: Possibly, and we object as representatives of the farmers to having the farmers among those thousands.

Mr. MILLER: Could the Wheat Board make any better rate across the lakes than are made at the present time by the private companies, and in your opinion, if you answer that they could would it have any effect on the amount of grain passing over Canadian channels as compared to what it is at the present time? About forty per cent I think passes through American channels. Would that be changed in any way in your opinion?

Mr. ROBINSON: That is another question I would suggest you leave for those gentlemen because it is a much more important question than appears on the face of it, and if the hon. gentleman would just agree to wait until those other men would come before you they have had experience and they could answer it in a much better way than I could. As you must remember the control of rates on the lakes is not under the Railway Board and it is a matter of negotiation as to what rate you get any time. There is really no such thing as a fixed rate for lake transportation.

Hon. Mr. ROBB: In connection with the rates and cost of handling wheat, could you tell the Committee the rates for storage that the elevators received during the period the Wheat Board was operating, and also the rates they receive to-day.

Mr. ROBINSON: At what point do you refer?

Hon. Mr. ROBB: I would like to know the rate allowed for taking in grain and storing it for the ten to fifteen-day period, and the rate you are giving to-day?

Mr. ROBINSON: The Wheat Board had nothing to do with that. That is a matter that is controlled by the Grain Commission.

Hon. Mr. ROBB: What was the rate at that time?

Mr. ROBINSON: The maximum rate at that time was  $1\frac{3}{4}$  cents. That included fifteen days' free storage, and then the maximum rate was  $\frac{1}{100}$ th of a cent per day. I do not think what the hon. gentleman has asked is what is in his mind. There was a carrying charge allowed by the Board that would cover interest on the money invested, and insurance. I could not give you a correct answer as to that.

Hon. Mr. ROBB: Did not the Government advance the money? The elevators did not advance the money?

[Mr. James Robinson.]

Mr. ROBINSON: Pardon me, they did. The grain was handled by precisely the same methods as it is to-day.

An hon. MEMBER: And financed in the same way?

Mr. ROBINSON: Yes; but the Wheat Board had nothing to do with elevator charges in the country. It did make provision for a carrying charge which would cover interest and insurance. That, of course, would depend entirely on the value of the grain.

Hon. Mr. ROBB: You could not tell us what that rate was?

Mr. ROBINSON: No; I think Mr. Lambert could tell you.

Mr. SALES: I think what Mr. Robb has in mind is the spread between the load and the special bin business.

Mr. ROBINSON: I think it would be wiser to afford us an opportunity of furnishing these figures so that the information given here may be as accurate as possible. I can say, however, that the interest and insurance charges would be affected largely by the value of the grain. It would cost more to insure a bushel of grain worth \$2 than a bushel of grain worth \$1, and the same principle would apply to the interest on the money invested.

Hon. Mr. STEVENS: A little while ago you made the statement that the great majority of the farmers and grain growers of the Prairie Provinces were wholly in favour of the re-establishment of the Wheat Board. I think that is a pretty accurate statement, because I know from inquiry while passing through the prairies that many are in favour of re-establishing the Wheat Board, but I would like to ask you this question—

Hon. Mr. ROBB: Mr. Stevens, will you permit me to interrupt you in order to ask Mr. Robinson this question: What are the storage rates charged to-day for a ten or fifteen-day period in country elevators?

Mr. ROBINSON: I can give you the maximum rates. Those rates are not uniform because an elevator company may charge any rate it likes provided it gives the same rate at every elevator—I mean any rate under the maximum set by the Grain Commission.

Hon. Mr. ROBB: What is the maximum?

Mr. ROBINSON: For wheat, 2½ cents. That includes handling the grain, taking it into the elevator, storing it up to fifteen days if necessary, insuring it and shipping it. For any period after the fifteen-day period the rate is 1/30th of a cent per day.

Hon. Mr. STEVENS: The question I am about to ask you, Mr. Robinson, was put to Mr. Woods, and he was good enough to give me an answer: In regard to the preponderance of opinion in favour of re-establishing the Wheat Board, do you think it is fair—I will use that word—to the minority who might differ, frankly, from the others, and desire to market their grain personally, to force them by the compulsory measures which are characteristic of the Wheat Board?

Mr. ROBINSON: It really makes no difference, because they are now forced, as Mr. Woods pointed out, to market the grain through certain channels whether they like it or not. It is true they have a choice as to the fifteen, twenty or thirty or whatever number of firms may be operating on the Grain Exchange, but they must market it through them, and I would answer your question by asking this question: Would it be fair to the majority of the farmers who earnestly desire the re-establishment of the Wheat Board to force them to sell their grain because a minority of the farmers objected to it?

Hon. Mr. STEVENS: As I said this morning, I do not desire to argue the matter. I am trying to get to the point that, in my opinion, permeates this whole question, and I can assure you that if my mind can be cleared up in regard to this point, it

[Mr. James Robinson.]



will materially assist in securing my support to the re-establishment of the Wheat Board. It is not a question of majority or minority. In the ordinary transactions of public affairs it is certainly the practice or custom to permit the majority to rule, but here we are invading a man's personal, individual right to handle his own good, and that is, perhaps, the most important feature involved in this proposal. There is a large number who question the actual right of any Government to interfere—except in such exigencies as war—with their privilege of marketing their own products. Permit me to give you an illustration of what I mean: I met a gentleman the other day who has for many years been engaged in the business of wheat-growing and general farming, as had his father before him. For a period of perhaps forty years they have done what many gentlemen in this room have done, built up a competency. They now have a fine farm which is valuable. They have their own threshing outfit; they study their business. In the first place, they farm their land so as to get their crop off it as early as they possibly can. They own their own threshing outfit and thresh their own grain. They realize from experience that by getting their grain off early they can get a higher price for it. Should not that be their privilege? If they can by skill, application, study, and long years of toil, and perhaps privation in their early days, arrive at their present position, should it not be their privilege to reap that advantage if they can do so?

Mr. ROBINSON: Your example raises a question that applies to practically every Act of Parliament. It interferes with what somebody thinks is his special privilege. I do not know of any country in the world that may be called civilized where every man can do just what he likes. Regarding the compulsion, I think it is right from the point of view of the general good to disregard any man who, for some fancied reason, may say "I will not do this because I can do it in a better way." I do not think that should be considered, but I do want to point out that my impression is that with the Wheat Board handling the grain as they did before, such a man's idea of doing better would be a fallacious one. I have been trying to emphasize the fact that this slumping, when the big delivery was forced on the market, was one of the main causes of the depression in price. If these slumps did not occur this man would not get any better price.

Mr. FORKE: I cannot agree with you.

Mr. ROBINSON: That is your privilege.

Mr. FORKE: I happen to be in exactly the position of the gentleman to whom Mr. Stevens made reference. I live in the southern part of the Province of Manitoba. I have a fairly large farm and own my own threshing outfit. Personally, I am satisfied that I will not, on the whole, do any better under the Wheat Board. At the same time, I would like to tell Mr. Stevens that I do not know a single farmer in the same position as myself in the Province of Manitoba who is not quite willing to fall into line so that the body politic all over may be benefited.

Mr. FORRESTER: We know that foodstuffs and breadstuffs are gambled on in many different Bourses all over western Europe, in fact, all over the world, and I fear that if the Wheat Board was formed in Winnipeg or in Western Canada and they got a big quantity of grain on hand—which probably would accumulate—they would just be a big fat goose for the Bourses to pluck. There is a danger that you would get less instead of more. That is what I fear. At the same time, the interests of Canada are involved in the price of wheat more than in anything else. If you could raise the price of wheat to \$2 a bushel, Canada would soon be rid of her difficulties, but I am afraid you will knock it instead of boosting it.

Mr. ROBINSON: I cannot answer a man's opinion, but I want to say that the men most interested in this proposal are quite anxious to run the risk.

An hon. MEMBER: I assume that the Canadian Council of Agriculture has representatives from Ontario and Quebec?

[Mr. James Robinson.]

Mr. ROBINSON: From Ontario and also from New Brunswick, but not from Quebec. The Secretary is here and can answer those questions.

The hon. MEMBER: I was going to ask if the Canadian Council of Agriculture had registered any objections to the compulsory feature of the Wheat Board operations.

Mr. HALBERT: I think that some of the questions that have been asked are hardly fair. There seems to be a disposition on the part of some of the hon. members to criticise the farmers. When other delegations come here they do not take up the same attitude. All that the farmers are asking is fair play.

Hon. Mr. STEVENS: Surely my hon. friend is not objecting to the moderate questions that have been asked here this afternoon. The same point was raised this morning by Mr. Crerar and I must protest against any suggestion that in asking questions we are criticising the farmers. Nothing of the kind. The hon. member will have to examine the questions very closely before he can discover anything unfair in them. I rather resent these eternal suggestions that if we ask anything that deviates in the slightest degree from the theme presented we are in any way reflecting upon those who are presenting it.

The CHAIRMAN: I think it is the desire of the Committee and of the Government that absolutely the fullest and freest scope should be given in this investigation. While I am not a lawyer, and there are no lawyers here, and while perhaps I am not capable of defining the legal intricacies of the questions which may be put to the gentlemen who appear before us, I believe we will succeed better if we allow any questions to be put which hon. members desire to put so long as the gentleman answering does not object or feel that he is being imposed upon.

Mr. WARNER: I would like to ask Mr. Robinson if it is his opinion that if wheat could be advanced ten cents to the farmer by systematic economic management and by regulating the flow, it would be possible to advance one dollar. One hon. gentleman here made the statement that if you advanced it ten cents you could advance it a dollar.

Mr. ROBINSON: I do not think it would be possible. It is true that you can make the best of the price by an economic and proper handling and proper putting it on the market, but you cannot by any means that I know of increase the price of wheat at all by any noticeable sum. The saving would be in the proper handling, the proper feeding of the market, and in the sense of security and the confidence that it would give to the farmer in his present difficult condition.

Mr. STANSELL: I listened to the careful statement made by Mr. Woods and I understood him to say that if the Wheat Board could be in operation now it would put at least \$25,000,000 in the pockets of the farmers of the west. That is very important as it would enable them to purchase many things that are not purchasable now. I believe that we should ask questions from every standpoint for one of the first things that would occur to the farmer would be the cost to the consumer. The working man does not produce any wheat. That is possibly the most important consideration next to the one we are considering. I would ask whether the \$25,000,000 which he says would be saved to the producer is a conservative estimate?

Mr. ROBINSON: Without going into figures, I would say that that would be a conservative estimate.

Mr. STANSELL: And that would be without raising the cost to the consumer one cent?

Mr. ROBINSON: I believe that it would not raise the price of flour because, as I have pointed out repeatedly, flour does not have these sudden dips that wheat has. I want to say something further. As a matter of fact, if it doubled the price of flour to-day it would not make a difference to the average family of more than one dollar a week.

[Mr. James Robinson.]



Mr. STANSELL: If that is correct, if it would not increase the price by one cent to the consumer, we have one of the greatest objections taken away. We would accomplish two very great things by the operation of the Board if that is true. If there would be a gain of \$25,000,000 to the producers where would it come from?

Mr. ROBINSON: I have tried to answer that question two or three times, and I do not think that I should repeat it.

The CHAIRMAN: I would point out that it is six o'clock when we automatically adjourn and I would like to know when the Committee wishes to meet again and whom they wish to hear;

Mr. SALES: I move that we meet to-morrow at eleven o'clock to hear Mr. Robinson further and then Mr. Maharg.

Mr. MILLAR: Connected with the statement in regard to the price to the consumer, I have a very brief statement which I would like to make;

The CHAIRMAN: If you would allow us to decide the question of the next meeting and whom you wish to hear, the Committee, I think, would give you a minute or two to make your statement.

Mr. GARLAND: Did not the report of the sub-committee set out the procedure which we were to follow? We were to hear the two representatives of the Council of Agriculture and then representatives from other bodies. The milling interests and the grain exchange were mentioned.

The CHAIRMAN: The milling interests were next.

Mr. McKAY: Are we to have no representatives of the retailers?

The CHAIRMAN: The question to decide now is whether we shall meet to-morrow and whom we shall hear. The sub-committee will decide any other questions. Is it the desire of the Committee to sit to-morrow and hear Mr. Maharg?

Some hon. MEMBERS: Yes.

The CHAIRMAN: Will Mr. Maharg be here to-morrow?

Mr. MAHARG: Yes.

The CHAIRMAN: Is it the pleasure of the Committee to meet at 11 o'clock to-morrow?

Some hon. MEMBERS: Agreed.

Mr. MILLAR: I am anxious that this statement should go down because it bears directly on the question of increase or otherwise in the price. This occurred a year ago last winter. A man took a car of wheat to the mill, and taking into consideration the price of his flour which he received, the shorts which he received, the brans which he received and the price of wheat at that time, and even after taking out his toll he made one dollar per bushel on thirty bushels, a trifle over one dollar a bushel. From that I think you will see that at a time when there was no Wheat Board controlling there was an enormous profit between the price of the wheat and the price of the flour.

Mr. SUTHERLAND: I am sure we all appreciate the very fair manner in which Mr. Robinson has discussed the matter. He has enabled us to look at it from a different standpoint. But I would just like to ask him this question: We all realize that the re-establishment of the Wheat Board might have a very disturbing effect on the business of the country. If the Wheat Board is a good thing, would it not be better to advocate a permanent Board? I think Mr. Robinson made a statement that the chief objection to making it permanent was a possibility of the Board running wild and the farmers might desire to get away from it. We have not a Wheat Board carrying on now, and to re-establish the Board might be a very disturbing factor to those who are engaged in the business. Would it not remove a strong objection if those who are back of it would advocate permanency rather than a temporary Board?

[Mr. James Robinson.]

Mr. ROBINSON: I would just point out that those who are representing the Council of Agriculture were instructed to press for a certain thing, the re-establishment of the Wheat Board to handle the 1922 crop.

Mr. SUTHERLAND: Will you not give us your personal view?

Mr. ROBINSON: My personal view has been expressed. In my opinion it requires a year's operation when the price may be expected to go down as well operation for a year when the prices were going up. Many of the farmers would say that it was a terrible mistake not to give them a trial of handling the grain when it was going down. We wish to give the Wheat Board a fair trial before saying whether we should dispense with it altogether or whether we should ask for it permanently. We should have at least another year's experience.

Hon. Mr. ROBB: Does that mean that you anticipate a declining market this year?

Mr. ROBINSON: No, not necessarily, but it did apply to the possibility when the Wheat Board was relieved from its position. No one expected—at least I do not know of any farmer who expected—that the price which prevailed during the year when the Wheat Board was in operation would continue. They expected some lowering of the price, but I want to say frankly that they never contemplated they never expected the very material slump that took place under the open market.

The Committee adjourned until Friday, April 7, at 11 o'clock a.m.





SELECT STANDING COMMITTEE

JACKMAN

ON

# AGRICULTURE AND COLONIZATION

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Minutes of Proceedings and Evidence

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No. 2—FRIDAY, APRIL 7, 1922

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Mr. J. A. Maharg, of Executive Canadian Council of Agriculture



SEP 20 1943

# SELECT STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION

## MINUTES OF PROCEEDINGS

FRIDAY, April 7, 1922.

The Committee met at eleven o'clock a.m. Present:—Messieurs Kay (in the Chair), Anderson, Arthurs, Baldwin, Bowen, Brethen, Brown, Cahill, Caldwell, Campbell, Charters, Chew, Clifford, Crerar, Dickie, Evans, Fontaine, Forke, Garland (Bow River), Good, Halbert, Hatfield, Hubbs, Hunt, Johnson (Moosejaw), Knox, Leader, Lovett, Lovie, Lucas, MacKelvie, MacLean (Prince), McConica, McCrae, McKay, McMaster, Malcolm, Maybee, Millar, Milne, Morin, Morrison, Motherwell, Niell, Ouimet, Papineau, Rankin, Raymond, Robb, Robinson, Sales, Savard, Sexsmith, Sinclair (Queen's, P.E.I.), Spence, Stevens, Stewart (Argenteuil), Sutherland, Tobin, Tolmie, Warner, White, Wilson, Woodworth.

Mr. J. A. Maharg, of the Executive of the "Canadian Council of Agriculture," was in attendance and gave evidence on the re-establishment of the Canada Wheat Board. Witness retired. Committee adjourned to meet on Tuesday, April eleventh at eleven o'clock, a.m.

ARTHUR GLASIER,

*Clerk to Committee.*





FRIDAY, April 7, 1922.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock, the Chairman, Mr. W. F. Kay presiding.

The CHAIRMAN: Gentlemen, your sub-committee has met and makes its report.

"Your sub-committee beg to recommend that Mr. Watts and Mr. Rice of the Dominion Milling Association be heard on Tuesday next at 11 o'clock."

Is it the pleasure of the committee to adopt this report from the sub-committee.

Motion agreed to.

We will have the pleasure of listening to Mr. Maharg this morning. To many members of the House who were here since 1917 Mr. Maharg is well known and probably to the western men he is equally well known, and he does not need any introduction.

Mr. J. A. MAHARG: Mr. Chairman and gentlemen of the committee, I wish to assure you that it is really a pleasure to mingle with the committee again although in a different capacity. In regard to the matter before the committee it would almost seem as though the subject had been exhausted. I am sure personally I appreciate very much the attitude of the committee and the intelligent questioning that has taken place. And if there is anything further that I can add I will be only too glad to do so. There seem to be two or three main points, at least that seemed to be the opinion of members yesterday and if they can be satisfied on these main points the objection would be almost if not entirely removed, towards the re-establishment of the Wheat Board. The points as I remember were first of compulsion and next as to the representatives of the consumers, that is if they were satisfied that the consumers were not complaining, and also that the cost to the consumer would not be increased. Those seemed to be the three main points.

In regard to the first one, the matter of compulsion that was fairly well dealt with but a case was instanced yesterday of a gentleman that was living close to the railroad who was situated under very favourable circumstances to get his crop to the market early. Now, if the committee will pardon me for making a personal reference to that, and also a community reference to it, I think I can show that that argument is not very widespread. In so far as I am situated myself and the surrounding community we are probably in as fortunate, if not more fortunate position than any other point in the West except that it may be Saskatoon. We can deliver our grain and get a Government certificate within an hour after it is threshed. We can have a negotiable certificate at once by delivering our grain to the Government elevator, the interior terminal located at Moosejaw and Saskatoon or in a similar position. We have a local of our provincial organization situated within a mile or so of this elevator. The members surrounding this elevator and the majority of them can deliver and do deliver to that elevator, and yet being in a most favourable position, they in that local have passed a unanimous resolution asking for the re-establishment of the Wheat Board. Now, there is a community that could not be more favourably situated. They can get their negotiable documents with their grade and weight almost immediately, and yet they are convinced that they themselves will be in a

[Mr. J. A. Maharg.]



better position by having the Wheat Board re-established. There may be individuals. Of course you will always find that, but up to the present, I have not yet met a single individual personally that has given any sign of opposition to it, either as a producer of grain, as a consumer, or as a business man in the West. True, there was one man at our convention in Canada out of 1,500 or 1,600 delegates and farmer representatives visiting the convention when this resolution was passed and there was just one individual out of that entire group that held up his hand in opposition to the re-establishment of the Wheat Board. I think that would show that the opposition to the compulsory part of it is very slight indeed, and the argument of the two farmer speakers here I think must be taken as conclusive that we are even now under a compulsory system. In so far as the consumers are concerned, they have not had a representative here as yet. I don't know whether they will or not. But I think we can take the Board of Trade in the West at least, as fairly representative of the consumers.

I have here a resolution passed by the Associated Boards of Trade of the province of Saskatchewan, I am informed that the Associated Board of Trade of Alberta is taking similar action although their conclusions have not reached here yet. I am also informed that the Winnipeg Board of Trade is taking similar action. I am not prepared to state what their conclusion will be, but I have here a resolution passed by the Associated Boards of Trade of the province of Saskatchewan which includes Regina, Saskatoon, Moosejaw, Prince Albert, Yorkton, North Battleford, Weyburn, Swift Current, Assiniboia, Rush Lake, Star City, Whitewood, Gravelbourg, Spruce Lake, Melfort, Kerrobert, Perdue, Birch Hills, Shell Brook and Debden.

"WHEREAS growing wheat is one of the basic industries of Canada on the success of which the prosperity of our whole country largely depends, and

"WHEREAS the present method of the sale of wheat in Canada has made all prices uncertain and the farmer hesitates to risk growing his maximum crop with the possibility of a loss on production, and

"WHEREAS we believe the re-establishment of a Wheat Board for the Dominion of Canada would make the price of wheat more stable and allow the farmer to obtain the maximum price for his product, thereby benefiting the whole country.

"NOW THEREFORE BE IT RESOLVED that the Saskatchewan Associated Boards of Trade in annual meeting assembled in the City of Prince Albert on the sixteenth (16th) day of March, 1922, go on record as being in favour of the re-establishment of the Wheat Board in Canada at once, so as to be able to handle the 1922 crop, and that a copy of this Resolution be sent to the Minister of Trade and Commerce and to the Ministers of Agriculture and Interior."

Now, this expresses the views of the Boards of Trade of the province of Saskatchewan which I think can be taken as fairly representative of the consumers of that part of the country. I have not any doubt but that the other Boards of Trade are of a similar mind.

Then, as to the cost to the consumer, the opinion has been expressed by the two farmer gentlemen who have appeared before you that in their opinion they would not increase the cost to the consumer. That has been my own opinion for some time as probably some of you will remember when we were holding the sessions in the old Museum building, on the Debate on the Budget. I believe it was there I was speaking, when the question was asked me by Dr. Edwards as to my opinion as to the Government taking control and fixing the price. I expressed the opinion there that in my opinion it would be to the advantage of both consumer and producer that this action should be taken. Now, I have here a copy of what is known as the Stewart-Riddell report. The Government of Saskatchewan because of the serious situation in regard to the marketing of our wheat, asked those gentlemen, believing as they did, and I believe they were perfectly right, that these two gentlemen at least knew the situation equally as well if not better than probably most any others.

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And they propounded a number of questions and asked them to answer them. Among other things that they state is the price of flour to the consumer and this is what they have to state in regard to that.

"(3) The price of flour to consumers bears a direct relationship to the prevailing price of wheat, but flour prices invariably do not follow day to day fluctuations in the wheat market. Three-quarters of the farmers' wheat is marketed during a period of three months, at the beginning of the season, when the price of wheat usually is depressed. During the remaining nine months the tendency has always been for the price of wheat to ascend to higher levels, with the result that the producer only gets the benefit of the prevailing higher prices for the remaining quarter of his season's crop. The consumer, on the other hand, pays for his flour on the basis of current prices for wheat. Therefore, if as a rule the wheat market inclines to low levels during three months of the year, and to high levels during nine months of the year, because the bulk of the producers' wheat comes on the market in the shorter period, it would be to the advantage of the consumer, as well as the producer, if the delivery of that wheat crop could be more evenly spread over the entire twelve months. If this could be done, fluctuations in prices would be lessened, and it is a well recognized fact that fluctuations in prices are detrimental either to the producer or consumer."

That is the opinion of two gentlemen who have had at least as great an opportunity of knowing what effect it would have on the consumer, as it has been stated here they had control of the price of flour during the time of the operation of the Wheat Board. In regard to that point, I think we can rest fairly content that it does not mean any appreciable increase to the consumer. Then the question yesterday was also raised as to the effect it might have on the world's market. Well now, we are not so deeply concerned with the world's market, that is with the price of the world's market. We believe that that price under normal conditions will take care of itself very largely. What we are more interested in is the maintaining of the fair world price, that is, some means that will prevent fictitious world's prices from obtaining. I would like to give the committee illustrations bearing on the last two years. During the last two years our competitors in the wheat market have been largely, almost entirely Argentine and Australia. True, India has been exporting some wheat but not to any very large extent. The American continent, the United States and ourselves and Argentine and Australia have been the large producers of wheat for export purposes. Now, during the marketing of our wheat in 1920, which is the time that the Argentine crop and Australia crop is hanging in the balance as it were, just the same as our crop hangs in the balance for one or two months depending on the season. While our crop was being marketed, the prospects in both Argentine and Australia were not very good. They were hanging in the balance with a doubt all the time that the crop would be short, but in spite of that our markets were continuously going down, continuously dropping, to such an extent that wheat fell almost a \$1 a bushel, approximately that. It went down for those months that were described here to you yesterday when our deliveries are heavy and when the Argentine and Australia crops were hanging in the balance. As far as the Argentine and Australia crops were concerned, the weather took a favourable turn and they harvested better than the average crop in 1920. What was the result. As I stated, when the crop was in the balance, when they were in doubt as to securing this wheat crop the market went down, down, down, and right at the time the winter crops were being delivered, during the months of January and along there, when they were at their heaviest delivery, the market started going up again every day, and the result was that it went back up again to almost \$2 a bushel two years ago this time. That is what we believe the Wheat Board will accomplish. It

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will prevent this sag in the market, if it will do that then we will be very well satisfied, even if it has not any very appreciable effect on the world market. Now, the same conditions prevailed this year. In the season, about the time deliveries started, wheat was selling around \$1.50 a bushel in store at Fort William. As soon as delivery started to become rather heavy, it started to decline, and it went down. The May option, which is the option market, which is the market that the large bulk of the western wheat is sold in, it went down to as low as \$1.07, then again as usual, after the seventy per cent of wheat, as stated in this report which I have read to you was marketed, it starts going back up again and it almost touched \$1.50 again the wheat went to \$1.50. The option went to \$1.47, something like that. That is what we are trying to accomplish, to prevent a sagging market at that particular time.

It was explained yesterday that having the one selling agency the wheat can be marketed according to the requirements from day to day. There are only two actual purchasers of wheat, that is the exporter and the miller. The exporter and the miller will come unto the market daily, I suppose, if they require wheat and make their purchases. As soon as their requirements are filled, then the market is left entirely to the speculator. The system of marketing was explained here yesterday, that is the commission man is absolutely helpless. He has his instructions to sell. He is responsible to the individual who consigns his car to him for a price on the day that he orders him to sell. If he does not sell on that day and the market should decline then he is responsible for the difference in price on that day and the decline on the following day or whatever day he may sell the grain. Consequently he has no other option but to sell that wheat according to his instructions. Again the trade should know that. Even the exporters and the millers know that. The speculators know that very well and immediately the requirements, in so far as the exporter and the miller are concerned, are filled, then the fact remains that they will pull off the market and it is left to the speculator. Now the speculator is not going to pay the price that the exporter and the miller were paying, for these are the people he has got to sell to or to another speculator. There are only those sources for him. Consequently he is not going to pay that price, and the result is that the wheat is thrown on the market, the commission men through his broker or himself will throw a block of wheat on the market at a certain price. There is no taker for it, and he has to offer it at a cheaper price for he has to sell it at the best price he can get for it that day, and the result is that the wheat market is beared down to a more or less degree all the time and if as it has been stated there are thousands and thousands of sellers they have to sell their grain because they have no control over it, and the result is that the market decreases every day, it has been experienced during the past few years.

Now, these are the chief reasons, so far as we are concerned, why we think the Board would lead to a gradual feeding of the wheat on to the market as the actual conditions require. A question was asked yesterday, would this gradual feeding of the wheat on to the market not have a tendency to hold the wheat back, and whether there would be the usual amount of wheat forwarded to the head of the lakes, or across the lakes to the sea ports. Now, the farmers themselves have not all to do with the forwarding of the wheat, not by any means. At the initial point in the country from fifty to seventy per cent of the wheat is sold to dealers, sold to the elevator companies. It goes down as low as around fifty per cent, and very often, or sometimes, up as high as seventy per cent; that is wheat sold to the dealers. The dealers have bought that wheat for future delivery in a certain month, it may be October or it may be November, depending upon which month the option is asked on. The result is they have to get that wheat forward in order to fill their contracts, as no elevator company of any consequence that I know of takes any chance on the market whatever. They buy their wheat to-day, and they sell it to-day. They even

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anticipate their purchases to a certain extent, and they have to get that wheat forward to the head of the lakes in order to fill their contracts for the month for which it is bought. Consequently, they have to forward their wheat to the head of the lakes as well. The financing of the situation compels that sale, if for no other reason, as they have to secure their money through the banks, and they have to make a turn-over as quickly as they possibly can. The Stewart-Riddell report refers to that. It states:—

“Through lines of credit with the banks each department of the grain trade endeavours to conduct its operations and to conduct them so rapidly that their business resolves itself into a series of turn-overs during the crop season. The average western crop requires approximately \$100,000,000 of credit with the banks to ensure its movement. This money is loaned to elevator companies, commission merchants and track buyers, each of whom as we have shown, performs his own particular work in moving the crop. Even with the large amount of money provided by the banks there would not be nearly enough if the wheat were allowed to accumulate. When the movement of the wheat has once begun, and the use of financial credit becomes extensive, the vital problem in the mind of the “trade” is to keep the wheat moving as rapidly as possible so as to maintain credits with the banks on a strong basis.

Upon the grain dealers and the transportation companies, the banks depend for the task of taking wheat out of the farmers’ hands, and either placing it actually on the market, or in a position where it may be put on the market at any time. Naturally, various factors come into play affecting the amount of credit available for handling the crop. The necessities of convenient financing under the open market have brought about a division of the grain business into four parts.”

Then they go on to show how business is divided. There is another paragraph (reads):—

“The various features of the grain trade which have been referred to have been developed under the system of open markets now in existence. At the present time all the forces of the market seem to be directed towards getting the wheat out of the farmers’ hands and rushing it on the market within as short a period as possible following the completion of harvest operations. Broadly speaking, both transportation and banking interests exert all the weight of their influence to this end, because under the existing conditions of competition their interests cannot adequately be protected in any other way.”

This will show the committee the reasons why the crop has to be handled as expeditiously as possible; but were it under the control of the Wheat Board the same necessity, so far as financial arrangements are concerned, would not prevail, at least not to the same extent. True, the Board would have to finance the wheat, but their heavy overdraft would be confined very largely to the early operations of the season. As the members of the committee know, only a certain advance is made on the grain. The balance of that is held over for a very considerable time. It is quite true that there are advances made at the present time on consigned grain, but immediately the sale is made, that is cleaned up and it requires the full price of the grain to satisfy in that respect. Under the Board, that condition would not arise to the same extent, as they would be continually accumulating a surplus which would represent the amount between the advance and the amount they actually received for the grain when they sold it; so that, instead of increasing the amount of the credit required under normal conditions at least, that is under normal marketing, that amount would be lessened rather than increased.

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Then, a question arose yesterday, I believe, as to the board disturbing present conditions. It might not be clear to the committee just to what extent that disturbance would be felt. There is only one line of legitimate grain trading that was interfered with during the operations of the board in any way whatever, and that was the exporter. True, the exporter was put out of business, as it were, but it must be remembered that the exporter has nothing at stake, that is so far as capital expenditure is concerned. Many exporters have not a dollar at stake other than their stationery, or the furniture in the office which they occupy. The largest investment, so far as capital investment is concerned, would be in their furniture and fixtures. No other line of legitimate trade was interfered with in any way whatever. The elevator companies carried on their business and were given a fair margin of profit. I know whereof I speak because we are operators ourselves, having probably the largest elevator system in the world, and we handle, I think, more grain than any other elevator system in Canada. We know exactly the conditions, and the business was carried on without any interference whatever. We were given a fair margin; the Board of Grain Commissioners for Canada fixed the charges allowed for handling; the Wheat Board fixed the amount required to take care of overhead charges, and we were not interfered with in any way, except that possibly the profits might have been reduced considerably in some cases. Nevertheless, full provision was made for a fair margin of profit to the trade. There was no objection on the part of the producers to that being done, none whatever.

Then we come to the commission houses. They were left exactly in the same position as they were. They received exactly the same commission charges, and they were relieved entirely of the selling of the grain. They were not put to the expense of getting their grain on the floor and of disposing of the grain at all. When the papers were sent to them for the producer, they just dealt with that exactly the same as before. They sent him out the amount of the advance that the Board allowed and drew on the Board directly for the amount that they had paid to the individual farmer. So that, so far as the commission men were concerned, they were in a much better position than they had been under the open marketing system. They were relieved of all the responsibility of selling the wheat.

There is another group of individuals who would be interfered with to a certain extent, but they are not a necessary adjunct. I refer to the brokers who are carrying on business largely for the speculator. Quite a number of these brokers do a considerable business at times for those who have large quantities of grain to sell, but they are not a necessary part of the trade. The only legitimate portion of the business, that I know of, that would be interfered with would be the exporters. If there is any complaint they might have a just complaint. I am of the opinion, however, that if the exporter is actually at any financial loss through the operation of the Wheat Board, some arrangement might be made to take care of that. There would be no serious objection, I think, from the producers. We do not want to put any man who is doing a legitimate business in a difficult position if it can be avoided; and I do not think that the Board at any time did that except in regard to the exporters. Their business was practically cut off. There are one or two other matters to which I would like to refer in connection with this report of Messrs. Stewart and Riddell. I am quoting from it because these gentlemen are better qualified to state the position than I am. In regard to the different systems of marketing grain that have been referred to during the sittings of this committee and also in the House, it has been mentioned that there were three schools of thought, as one hon. gentleman described it. There was the Wheat Board; the voluntary pool and the system of selling through the co-operative companies. As was stated to you yesterday, there is only one school of thought, so far as the producers of wheat are concerned. There may be an occasional individual who objects to the Wheat Board. I am not quarreling with him; he is perfectly entitled to his own opinion. But so far as the farmers organizations are

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concerned, they are asking for the Wheat Board because they are convinced that it is the only measure that will meet the situation at the present time. At the time that this Stewart-Ridell report was drafted the situation was not nearly so acute as it has been since; yet this is what the report has to say as to the different methods:—

"In the first place, we believe that the most perfect form of a centralised wheat marketing agency, at the present time, can be created only under the control of a national organization. And, secondly, we believe that in considering any form of wheat marketing pool, involving less than complete national control, one based upon voluntary co-operative effort on the part of the producer is preferable to one bound by the provisions of a legal contract."

They state very clearly that they believe that the most perfect system at that time would have been under a national organization. One crop year has passed since this report was issued; that is, one crop has been marketed, and the situation is more acute than it was at that time. Yet that is the opinion of the two men who are in a position to study the question as fully as it is possible for any one to do.

An hon. MEMBER: Would you read the last part of the paragraph?

Mr. MAHARG: The last part gives their opinion as to the other two systems spoken of some time ago. (Reads):—

"Secondly, we believe that in considering any form of wheat marketing pool, involving less than complete national control, one based upon voluntary co-operative effort on the part of the producer is preferable to one bound by the provisions of a legal contract."

If that was to be done, they believe that the voluntary pool would be better than the legal contract that has been put in operation in some other places; that is, a binding contract compelling you under penalties to deliver your grain to the pooling organization. It draws the distinction between those two methods, entirely separate from the national system of marketing. They simply state that the national system is preferable, and they then give their opinion as to the two other systems if national marketing is not permitted.

There is one other matter to which I would like to refer. That is the purchasing power of the west. I am not sure whether we all realize the position of the farmer so far as providing a market for the general products of our Dominion is concerned. I think I am quite safe in saying that the prosperity of the different branches of trade in all the provinces of Canada is largely bound up with the success of the farmers of the three western provinces. I do not think that any one province escapes that condition. We can take those of you who represent British Columbia. I am fully satisfied that you have recognized in the past the importance of the purchasing power of the three Prairie Provinces, so far as you are concerned, in the marketing of your chief products, which are lumber and fruit, and early vegetables to a large extent, but particularly lumber and fruit. The situation in the west has been such during the past two years that there has practically been no building so far as the farmers are concerned; practically none; and so far as the purchase of other commodities is concerned—apples in particular—I would just like to give you an experience as related to me by a merchant in one of our western towns in the fall of 1920. When the market opened in the fall of 1920 there was a small amount of wheat sold at a very good price. This gentleman outlined to me the situation in which he found himself. When the farmers started marketing their grain they were obtaining a very good price, and their purchases from him were, while not in wholesale quantities, in unbroken packages, if I may use that expression. They purchased their apples by the box, and their sugar by the twenty pound sack or possibly by the one hundred pound sack, and so on, in preparation for the winter. In the course of two or three weeks, however, that

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condition had entirely changed, and instead of purchasing apples by the box they would purchase them in twenty-five cent or fifty cent lots to take home for the kiddies, perhaps, but buying in large quantities immediately ceased. The result was this merchant found himself in this position that he had placed orders for certain quantities which he had believed he would be able to dispose of, and was not able to do so, and his financial condition was thereby rendered embarrassing. I just mention that as an illustration of the effect the fall in the market had on the purchasing power of the western farmer. That condition gradually works back until it affects the manufacturer and also the producer of raw material. There was another point I wanted to mention with regard to the unanimity of opinion of the West on the re-establishment of the Wheat Board. At the last session of the Saskatchewan legislature a unanimous resolution was passed and subsequently forwarded to the different departments at Ottawa requesting the re-establishment of the Wheat Board along exactly the same lines as has been asked for by the farmers' associations. I just mention this fact in order to indicate that it is practically a unanimous desire in so far as the West is concerned. The point has been raised about the permanency of the Board. It came up in a rather peculiar form yesterday, but I think it was satisfactorily disposed of and that this committee is now fully convinced that the board is not being asked for as a permanent method of doing business. Further, I think it has been clearly shown that it is not expected that it will in any way whatever cost the people of Canada a single cent. We do not wish that, and we do not expect it. In fact, I think it has been admitted by prominent members of this committee yesterday that that is beyond expectation. We might follow it on all the way through from British Columbia to the East, but possibly I might give you one illustration to show its effect on the Maritime Provinces. They may think they are not interested to any great extent in the purchasing power of the western farmer by reason of their remoteness. I am of opinion that the Maritime Provinces are very large producers of iron products. That has been stated on the floor of the House, and I believe it is quite true. It may therefore be interesting to some hon. members who have not followed agriculture to know that the farmers of Canada are the largest purchasers of iron products, very many of which are in a fine state of manufacture. In support of this statement I would like to refer to the steel and iron products that are used on the average farm. I have made a careful calculation of the amount of iron products actually employed on an average half-section farm, and it varies from 10,000 pounds to 15,000 pounds. That may seem a considerable quantity, but hon. members who are also agriculturists will be able to calculate the amount for themselves. Of course, many farmers do not own their own threshing machines. Let us place the average at 12,000 pounds, which is an exceedingly conservative estimate of the amount of iron products used on the average western farm, the average life is generally admitted to be from eight to twelve years. If you place the average life of these products at twelve years, you have an actual purchase by the average western farmer farming a half-section farm—that is what we consider one of the smallest units in the West—of 1,000 pounds per year. In view of this calculation it is quite apparent that the Maritime Provinces are not exempt from any effect on the purchasing power on the western agriculturists. Other provinces are similarly affected. Ontario and Quebec realize that fact. There is one other feature which is probably of as much importance to Eastern Canada, particularly the financial interests, as it is to the West: During last fall by reason of the conditions under which the agriculturists were labouring there was an almost universal demand by business men and farmers constituting large representative gatherings representing one-eighth of the population of the entire province, a unanimous resolution was passed asking the Saskatchewan Government to put into effect the Moratorium powers with which they invested themselves some years ago. I was a member of the Saskatchewan Government at that time and am therefore aware of the pressure that was brought to

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bear upon the government, and I know it was only after the fullest explanation and consideration of the question that they were able to convince those people that it would not be a good thing for them at that particular time. The situation went from bad to worse and the demand continued, and it was only when the government got together the different financial, manufacturing and wholesale interests and discussed the matter, and obtained from the loan companies a virtual guarantee that the utmost leniency would be extended that conditions improved. It was only after that assurance had been given that the demand lessened. I would like to tell this committee, as I told the government some time ago when we presented our memorandum, that I do not believe any government in Western Canada can resist the demand for action in connection with the establishment of the Wheat Board during the next season of marketing grain unless some other form of protection is provided. The life of the West particularly depends absolutely upon the farmers. In fact, the life of Canada, financially, depends almost equally as much on the farmers, and no government can afford to permit what is recognized to be the chief industry of Canada to be crippled in such a way as to render recovery practically hopeless. I am fully convinced that if a similar situation arises next fall—as I am satisfied it will unless action is taken to prevent it—no government will be able to resist the pressure that will be brought to bear upon them for protection in some way or other. The farmers cannot be exposed to a similar situation during another marketing season. If they are so exposed I make the prediction that the population of Western Canada will be very materially decreased. It has decreased during the last two years. Settlers are continually moving out, scores of them hundreds of them. That statement is not based upon an idle dream or upon guess work, but upon actual fact, and that flow of emigration from Western Canada will continue unless something is done to alleviate the distressing conditions now prevailing. In so far as the feeling of the West in the matter of acreage sown is concerned, that has been fully covered and anything I would say in that respect would be simply with a view to emphasizing what has already been said by the other speakers who have appeared before this committee. I have no hesitation in expressing my opinion that the acreage will be very much decreased unless action is taken as soon as possible. Seeding has been commenced in some of the earlier portions of the West. It will be general within the next week or ten days, and unless some assurance is given to the farmers at an early date the acreage sown will be very materially decreased in so far as wheat is concerned, and the situation in so far as other grains are concerned will be similar in character. The question was raised yesterday as to the marketing of oats and as to whether we were asking that the board should control oats. That has not been asked for, but I cannot say that I see any objection to its being done. If the oat-grower is of the opinion that his oats could be better marketed through the Wheat Board, I see no reason, personally, why it should not be done. There is not, however, the same necessity for it. The prices of wheat and oats almost always maintain a relative position to each other, and as wheat goes up in price oats usually follows and maintains a relative position to wheat. The other grains, except flax, will bear a similar relation almost continuously. As I have stated, I can see no objection, personally, to giving to the Wheat Board the power to control oats, so that that power could be exercised if the board thought it desirable. It would in no way affect the marketing of our wheat, and if it would assist the producer of oats I see no reason why the functions of the board should not be extended to the control of oats as well.

MR. WARNER: Is not the reason why that power has not been asked for due to the fact that our oats are more largely used in our own country?

MR. MAHARG: Yes; oats are largely used for our own consumption or in the United States. Of course, the Fordney tariff has practically killed export to the United States. It is just possible that your list of questions has been exhausted in

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the two previous sessions, but if not I shall be glad to answer to the best of my ability any questions you may desire to ask.

Mr. McKAY: You have quoted very extensively from the Stewart-Riddell report. Is it possible to secure for each member of this committee a copy of that report?

Mr. MAHARG: I think so. It is a report by the Saskatchewan Government. I believe the committee already has a copy of that report on file.

Mr. McKAY: Would it be possible for each member of this committee to obtain a copy?

Mr. MAHARG: It is a provincial government publication. I imagine copies are available for distribution.

Mr. McKAY: They are not available for distribution here at the present time?

Mr. MAHARG: No.

Hon. Mr. STEVENS: I understand the report to which reference has been made is one of the most illuminating on this subject that has ever been prepared, and affords perhaps the strongest argument in favour of the re-establishment of the Wheat Board that could possibly be produced. It would therefore be of very great benefit to this committee if it could be filed.

Mr. MAHARG: A copy of this report has been filed with the committee, and if it is the desire of the committee to secure a copy for each member, we shall be glad to have them supplied if they are available. If they are available there is no question that the government of Saskatchewan will be only too glad to furnish them.

Mr. JOHNSON (Moosejaw): I have two or three copies of that report with me.

Mr. WHITE: Mr. Maharg made the statement that many of the farmers in Western Canada are moving out. Where are those people going?

Mr. MAHARG: The large majority of them were returning to the United States.

Mr. WHITE: Did they come from the United States originally?

Mr. MAHARG: Possibly some of them did.

Mr. WHITE: What became of the farms they vacated?

Mr. MAHARG: Some of the farms have been absolutely abandoned and are now growing wild, scores of them. Others have gone back to the mortgage companies.

Mr. McKAY: Are the farmers who are moving out of Western Canada men who came from the United States, or are they European immigrants or native Canadians?

Mr. MAHARG: There may be some of each class you have mentioned. I could not say definitely. I do know, however, that a large number of them are moving out. One hon. member mentioned the Mennonites. I do not refer to those people at all. The Mennonites are going out in a body. They have purchased land elsewhere. The individuals to whom I have referred are going out upon their own responsibility and not as a colony.

Mr. McMURRAY: Is it not a fact that the farmers who are leaving the West for the United States are doing so not on account of prices but on account of drought in the particular localities in which they were located, and that there is no marked emigration from the settled districts of the West?

Some hon. MEMBERS: Yes.

Mr. MAHARG: I don't think there are but very, very few districts. There are some few districts in the West where they are not going but there is a general movement there all over the country. Last fall I travelled around considerably and it was a common thing to see them loading their effects out of a car at the siding, and quite a common thing.

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Hon. Mr. ROBB: Have you any idea what those men do when they return to the United States?

Mr. MAHARG: I cannot say I am sure. Many of them have taken their outfits with them. Some of them have gone to British Columbia, some of them have moved back to northern Ontario, many of them have gone back across the border, but they are moving away from the West.

Hon. Mr. STEVENS: I am interested in the remarks of Mr. Maharg, in regard to their moving out. We have quite a large number who have come into British Columbia and have settled in Okanagan valley, in Vancouver island, and other parts, and we also have a very large number in the city of Vancouver and the other cities. I wish to say this to the committee in justice to these individuals, that they come there very well provided for, in fact to retire; not driven out of the country. I think my friend Mr. Maharg has given a somewhat stretched opinion of these people. We have literally dozens of them in British Columbia who have left the prairie and they are doing very, very well. Some of our best citizens are from the prairie. It may be interesting to the committee to get this fact. Last winter the Vancouver Board of Trade gave a reception to visitors from the prairie and our city alone had two receptions. It had to be divided into two because the number was so great. There were thirty-three hundred men besides women and their families, not this present winter, a year ago, visiting in our city from the prairie and spending the winter there. Now, that is something we appreciate very highly. I wanted to ask Mr. Maharg two questions.

Mr. MAHARG: Let me reply to your statement, first will you, if you please, then we will take the questions. It is very true that many of our settlers have moved to British Columbia, quite true, but that is in the past years. I venture to say there are very, very few who have moved to British Columbia that have gained their competence there that you speak of in the last two years. Many years ago they moved and I might say for the information of the gentlemen that we had many settlers who moved from our own district eight or ten or twelve years ago who were glad to come back and purchase the old farm again.

Hon. Mr. STEVENS: We had some this year returned to the prairies, returned to take up their farming again because of a lot of hard times we have been suffering in British Columbia during the last eighteen months. I was going to put two questions if Mr. Maharg will permit me. First I gather from his address, which I have listened to with a great deal of interest that the opinion he expresses and in this he feels he has expressed practically the unanimous opinion of the Prairie Provinces, that the Wheat Board, the re-establishment of it is essential to the prosperity of the farmers of the prairie. I ask him if that is the correct interpretation of his views.

Mr. MAHARG: To a certain extent. I don't think that any one would claim that the Wheat Board itself would immediately bring prosperity but the condition of the farmers is such that unless the Wheat Board and any other measure that we can secure are brought into effect that there will be no returns for the farmers. They will be operating at a loss as they have been operating during the past two years.

Hon. Mr. STEVENS: The reason you are asking for it—and I am doing this in order to accept your views. I don't wish or desire to disturb you at all—that the establishment of the Wheat Board is asked for, shall I say in the interest of the prairie farmer, and the second point that the nation as a whole ought therefore to grant it as a whole because of the fact that it is necessary for the prosperity of this very large and important section of our population. That is the second question.

Mr. MAHARG: In regard to the first question I would say yes, that it is in the interest of the farmers of the west. The second, as to the interests of all of Canada, I would say yes, I think it is. I think it is. You got some figures yesterday, the

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figures given you by Mr. Robinson here yesterday, if you preserve them and then take the statement made here in this report that seventy-five per cent of the wheat sold at the time the market is depressed, I think you will readily see that Mr. Woods' statement of yesterday of twenty-five million dollars was a very very conservative estimate. In fact there was one statement given here yesterday between two months, that just figuring it out in my head at the time would show even a greater amount than that between the two months. Consequently I think it is naturally in the interest of Canada as a whole.

Mr. NEILL: I just want to give my own opinion about the men coming from the prairie. For one millionaire coming into the country I know of dozens of men coming from the prairie broken and helpless, seeking a day's work.

Mr. ARTHURS: Is Mr. Maharg asking for the re-establishment of the Board, for the purpose of equalizing the prices? Is that right?

Mr. MAHARG: Yes.

Mr. ARTHURS: Are you in favour of a permanent board, or only a temporary board and why?

Mr. MAHARG: In the matter of the permanency of the board, we have not at any time asked for it as a permanent institution.

Mr. ARTHURS: Why?

Mr. MAHARG: At no time. The reasons have been given by the former speakers but I have no hesitation in saying that the matter of it as a permanent institution has never been discussed at any of our large association gatherings. Not that I know of. It has never been discussed at our Saskatchewan annual convention by our association at any time and I am not aware that it has been discussed at either one of the provincial conventions. It has only been discussed as a temporary measure to meet what we hope is a temporary situation and as soon as things come back to normal it is not asked for.

Mr. ARTHURS: Would not the original and main idea of the board still prevail under any series of years, that is to say that the farmer must necessarily market his wheat during the time of low prices?

Mr. MAHARG: Not to the same extent. Up until those last few years there have been large numbers of individuals who were in position to hold their wheat, but from one cause or another, as it was outlined yesterday, drought, grasshoppers, hail, and such like, together with the tremendous drop in prices has reduced that to an almost negligible quantity and the position is that they have to sell their wheat. If they don't somebody else will sell it for them. They are forced to sell it, to put it on the market as soon as they possibly can. This statement here shows some of the reasons. The bank and railway companies are pushing to get the grain out as well. They are all in the same boat, if I might use the expression the wholesaler, the retailer, they are all in the same boat.

Mr. ARTHURS: I am not opposing the board. I would like to get for my own information—I cannot see any possible reason why if this board should be useful one year it should not be useful all the time. There is another complaint from the West regarding Street sales. This is said to be a big complaint from the small farmer, in small towns where there is only one elevator. This is set up as reason for the re-establishment of the board. Would that then be met by the board having only jurisdiction for one year, or would it not be better by having a permanent board.

Mr. MAHARG: It certainly will be met to a certain extent during the one year. For instance the spread has been greatly reduced. That spread has not always existed. The fact that the grain is forced on the market takes care of that spread to a large extent. I might just explain here one of the reasons. That might be attributed to the local elevator, probably the entire blame for it might be attributed to the local

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elevator, but the local elevator—at least we know by experience that we can only pay for that wheat what we can get for it from some other person. We are not choosers of the price we will pay. We buy as close as we possibly can but we can only pay the farmer for that wheat what some other person will pay us for it on the date we put out to make delivery. Consequently if the other man will say “I will give you”—as the hypothetical case “\$1.50 in store Fort William for No. 1 Northern Wheat, or I will give you \$1.45 for No. 2 Northern Wheat in store Fort William.” Then that is the basis we have to take. The elevator companies have not got the say as to what that price will be, and the more grain that is rushed onto the market, almost invariably these spreads will widen as it is this year. The spread between No. 1 and No. 3 Northern this year is about double what it was under the operation of the Wheat Board. You can get the exact figures for the committee if it is necessary.

An hon. MEMBER: I want to speak in regard to the matter which the hon. member for Vancouver raised. He said he knew quite a number of prairie farmers who are moving to British Columbia. He also knows a number of them who are moving back to the prairies. He thinks it must be very profitable when they move back to commence farming again. I have a number of neighbours who have moved to British Columbia during the last two years and they got so little money down on their farms that they were forced to come back and start working them just because the buyer threw them up. They could not get a penny. That is the reason they came back.

Mr. DICKIE: I might state in addition to what Mr. Neill says that my experience is that there are very very few people penniless, as he says. We quite realize and I think those of us from there have what we might term the spirit of the West. We from British Columbia I think can speak for that spirit. I would be pleased to see these eastern farmers get a price for their grain that would make them prosperous. We would feel that way although we expected to derive no benefit from our provincial trade. I think, sir, we will go just as far as can be gone constitutionally to afford any remedy which will give the farmers of the North West a good profit for their produce.

Hon. Mr. TOLMIE: I am thoroughly in accord with any such measure as can be put into force which will better the condition of the farmer in disposing of his products. You will all realize that agriculture is the most important industry of this country. There is nobody earns his money any harder than the farmer does. But he is well contented now to earn his money by this hardship. The prosperity of the prairie makes for the prosperity of British Columbia and we want you to feel that the prosperity of this country will be conducive to the prosperity of the prairies. We must work together. The development of one section of this country will improve the other. I think there is one thing that is keeping Canada back to-day, and that is the lack of knowledge on the part of the people east of the Great Lakes as to the condition in which the people live in Western Canada. I think the most we can do to disseminate information from one part of Canada to the other, from Western Canada to Eastern Canada, and from Eastern Canada to Western Canada the better it will be for this country. I would like to ask Mr. Maharg this question. Eliminating those sections of the country where we have to suffer from drouth where do we find hardship the greatest? In those districts where wheat growing alone is carried on or in those districts where mixed farming is followed? I have listened in this committee to a great deal of talk as to the low price of oats and barley. At the same time I have been struck by the fact that hogs are bought at 15 cents a pound on the market, due to the regulation or one of the regulations of our Health of Animals Branch, which makes it impossible to import hogs alive into this country without a quarantine of thirty days. I have also been impressed with the fact that lambs sold on our western ranges last year as low as \$2.40 a hundred and that

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another time at \$3 or a little more. Now in the American markets lamb is worth 16 cents a pound, and they are marketing lambs at Buffalo and other points in very good condition and at good prices. Under the low-priced conditions prevailing for grain, and the low prices for cattle, it seems to me that we could turn a good deal of the feeding-grain into profit. Let us look at the beef market. We will know that a finished steer has brought a reasonably good price all along, whereas the unfinished steer has brought the lowest price on the market, sometimes as low as a cent and a half per pound. I am calling attention to this fact because I think there is a tremendous field for development along that line. It may surprise the members of this committee to know that of the 1,250,000 cattle that passed through our inspected abattoirs every year, less than 10 per cent are of good enough quality and finish, or are large enough in size for export as chilled beef, indicating what a tremendous loss the farmers are suffering. When I hear of the low price of grain and of hay, I think of the excellent opportunity there is for finishing off these cattle and for securing to the farmer a larger price for his grain. Take the dairy industry: We have 3,500,000 cows that average less than 4,000 pounds of milk, but we have cows that have made records of 32,000 or 33,000 pounds, just about eight times as much. Last year dairy cattle produced \$32,000,000 of wealth, and it seems to me that if we could feed these dairy cows on the cheaper grains there would be an excellent opportunity for the farmer to take up mixed farming in preference to grain producing. I would like to ask Mr. Maharg whether these conditions prevail to the same extent in the districts in the West.

Mr. MAHARG: So far as our province is concerned, the stockman, that is the man who is producing beef, is complaining just as bitterly as the grain producer. I think that is the general situation throughout the province. The man who is producing beef is in just as hopeless a condition as the grain producer, possibly a little worse in many cases, though it is hard to be worse. The position of the man who is able to get dairy cows is not so bad. But for the information of the committee I may say that the West is trying to diversify as quickly as it possibly can. I would not like the committee to think that the western farmers have not been seized with the necessity for it. They are gradually drifting that way as fast as they can, but it is almost a hopeless proposition when they cannot secure a little surplus. The government of Saskatchewan has been assisting along that line for years and it is continuing to assist; but in view of the vastness of the country, it is impossible to supply every man with a herd of dairy cows in a year or two. You cannot secure them even if you try to get them, let alone convince every one that they should have them. But the trend is that way. So far as the opportunity for finishing cattle is concerned, I quite agree with the hon. gentleman. But that country has only discovered lately that they can produce the necessary crops for finishing steers properly. You cannot finish cattle with dry feeding; you must have more succulent feed. The climate is changing, and even as far as my own home town is concerned and further north, we are producing those feeds quite successfully, corn and sun-flowers as well. We are gradually drifting that way, but it is absolutely impossible to do it all at once. What we are asking is some measure that will make it possible for us to carry on until that gradual evolution has taken place, for it must be gradual. There is a difficulty even to-day in the marketing of dairy produce, and the outlook is not very hopeful. We have heard complaints about oleomargarine and Chinese eggs coming into the country. The markets for dairy produce have to be built up, but, as I have said, we are gradually drifting that way as fast as we possibly can. I think that the members from the different western provinces will agree with me in that statement.

Mr. CAMPBELL: I come from a district where there is mixed farming, and I received a letter this morning stating that eggs are selling at 16 cents per dozen and butter at 18 cents per pound. The farmers there who are in mixed farming

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are worse off than the grain producers. Many of them came from the United States, and hundreds in my district have gone back to the States.

Mr. BROWN: Reference has been made to the districts that have not suffered from the climatic conditions. I realize how hard it is for the people who live in the East to understand the situation out West. Let me give you an illustration. I visited a man in northern Manitoba a year ago—and this district does not suffer from climatic conditions—and he told me that he had raised 17,000 bushels of oats and barley. He told me that in spite of that he would have been better off if he had been idle. We from the West do not find that hard to understand. The high cost of threshing and the freights made it impossible for him to sell these products at a profit. Then take the wages that have to be paid. All this emphasizes the need for some measure to meet a temporary situation. We have to pay very high wages. Everybody knows the difficulty of reducing wages. We are up against it in the Civil Service, and we are up against it on the farm. This is a temporary position that we are in. The farmer simply cannot pay the high wages that are asked, and the men who have had the high wages will not take less. That is the situation that confronts us. With regard to mixed farming, we are also up against the question of wages. We find it almost impossible to get help for our dairies. I may give you an illustration from my own experience. Last year I sold nineteen head of cattle—some of them were four-year-old steers that I had carried over hoping to get a better market, and some of them were smaller cattle, but in the main they were good cattle—and it took those nineteen head of cattle and \$125 besides to pay the hired man's wages for a year. It is impossible for us to continue under such conditions. We have tried to emphasize the fact that this is a temporary situation and it is largely because of the situation which prevails in regard to wages. We simply cannot get the help that is necessary to carry on dairying. I submit that these facts are worthy the consideration of this committee.

Mr. BRETHEN: There seems to be a feeling that we in the East do not understand the situation in the West, and that therefore we are not in sympathy with the measure proposed to the same extent as the people in the West. But it seems to me that the principle of intelligent marketing of wheat will ultimately concern the marketing of practically all foodstuffs. The question of intelligent marketing—that is putting foodstuffs on the market in a steady flow, or putting them on the market so as not to cause a slump—we are all familiar with the slump that has taken place in the sale of pork—affects the consumer quite as much as it does the producer. Therefore, while this principle concerns us to-day with regard to the marketing of wheat, it is a principle which will concern every one of us, and the consumer as well, in the marketing of all foodstuffs. I believe that we are face to face with the problem of co-operative selling of dairy products. A gentleman was brought from California to explain this system of marketing different food products, and while this measure may seem to concern only the western farmers it does concern us or will concern us all in a very short time. Therefore, we should be entirely in sympathy with getting all the information we can in regard to intelligent marketing.

Mr. SEXSMITH: While the condition of the farmers has been described we do not want it to go out that this board is to be particularly in the interests of one class but that it is related to the other great fundamental interests of Canada. The question is, is Canada going to encourage the production of the one thing that is very essential—the production of hard wheat. Is Canada going to encourage the production of wheat in her great wheat belt, or is she going to legislate to discourage it? If we discover that this is the best thing to safeguard and encourage that particular industry, then the Government should legislate in that direction.

Mr. WARNER: Mr. Chairman, I have listened with a great deal of interest to what has been stated by the several speakers who have appeared before this committee,

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and I would like to take this opportunity to impress upon hon. members present the un wisdom of competition between those farmers engaged in growing wheat and those in the dairy business. Those farmers who are located in good wheat-growing districts should raise wheat and leave the raising of dairy products to those who are situated in suitable territory for that industry. At the present time dairy products are a drug upon the market in Alberta.

Mr. SUTHERLAND: Mr. Chairman, I rise to a question of order. Mr. Maharg is very familiar with the matter we are assembled here to discuss. We shall have ample opportunity to lecture each other later on. I think we can use our time to much better advantage by putting questions to Mr. Maharg.

Mr. McMURRAY: I would like to say that I am taking no particular side one way or the other. I do not think any of us are. We are all anxious to obtain the facts. I understood Mr. Maharg to say that under the Wheat Board the elevator people—I presume he referred to the independent elevator men—the brokers and the commission men were practically as well off and carried on just the same under the Wheat Board as they did outside, and there would therefore be no opposition from them.

Mr. MAHARG: No; I did not say there would not be opposition.

Mr. McMURRAY: If they would be practically as well off, what reason could there be for opposition from them? 'Could you just advise us along those lines?

Mr. MAHARG: I am not in a position to say there is going to be opposition. I did say that it might possibly reduce their profits to some extent. You are, however, just a little mistaken with regard to the brokers. The brokers were doing the business referred to here yesterday, putting through deals in connection with options for individuals who wished to do a little speculating, and also doing business for other companies.

Mr. McMURRAY: I do not think there is a single broker in the city of Winnipeg whose operations are confined to the option trade. I know a good many of the independent brokers on the Exchange in Winnipeg. I know they go all through the Province of Manitoba buying grain from the farmers, and they also telephone to the farmers on long-distance for the same purpose, and I would gather that the largest portion of their business was in the nature of legitimate dealing in grain. Am I right in that conclusion?

Mr. MAHARG: I cannot say. It is absolutely impossible for an ordinary layman to say whether a deal on the option market is a legitimate sale. We do know, however, that millions of bushels of grain are sold on the Exchange when there is not a bushel of grain to sell. I have heard it stated that the sales on the Exchanges exceeded ten times the actual amount of wheat that passed through them.

Mr. McMURRAY: You do not know?

Mr. MAHARG: No.

Mr. McMURRAY: Do you know what amount of capital is invested in these elevator companies in the West apart from the Government-owned elevators or elevator companies controlled by the farmers?

Mr. MAHARG: No; I could not state the exact amount of capital.

Mr. McMURRAY: It would amount to many millions of dollars?

Mr. MAHARG: Yes; our own investment amounts to many millions of dollars; but our investment was not interfered with in any way during the operations of the Wheat Board.

Mr. McMURRAY: They are not controlled by the Wheat Board?

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Mr. MAHARG: They are controlled, but are permitted to carry on their operations. The Wheat Board would only prevent them from taking what might be considered an excessive profit.

Mr. McMURRAY: There has always been the complaint against Government ownership, operation or control, that favouritism might occur. Was that charged against the old Wheat Board?

Mr. MAHARG: Not to my knowledge. I do not see how it could occur, because all commission companies were treated exactly the same. The commission charged is arranged by the Winnipeg Grain Exchange through their own organization.

Mr. McMURRAY: Would it be possible for the Wheat Board to show marked favouritism in connection with the elevator system?

Mr. MAHARG: I do not see how they could. The Board of Grain Commissioners for Canada fixes the handling charges and the storage charges. They are fixed by an independent Board and must apply all over. As was explained yesterday, there is a handling charge of 2½ cents. That is the maximum that can be charged. They can do it for nothing if they wish. The Wheat Board had nothing to do with that at all. That is a matter the Board of Grain Commissioners regulates. The commission charged is arranged by the grain organizations in Winnipeg.

Mr. McMURRAY: Is it not possible for the Wheat Board, having control of the flow of grain, to divert the grain to terminal elevator companies to which they are favourably inclined?

Mr. MAHARG: It might be possible, and there might be reasons for so doing, but I have not heard any complaints to the effect that that was done.

Hon. Mr. ROBB: If it were decided to establish a board to buy and sell wheat, would it be satisfactory to entrust that power to the present Board of Grain Commissioners?

Mr. MAHARG: My answer to that question is No. I do not like to say anything about the Board of Grain Commissioners, but I expressed my opinion in the House a year ago that it would not by any means satisfy the West to place the matter under the present Board of Grain Commissioners.

Hon. Mr. ROBB: Have you any opinion to offer as to what board it should be placed under?

Mr. MAHARG: We are asking for a board similar to the one which existed in 1919, with the same personnel, if possible. I cannot recommend any other board.

Mr. SUTHERLAND: I would like to ask Mr. Maharg one or two questions about some of the arguments advanced in the year 1920. You are familiar with the discussion which took place when a bill was introduced to enable the government to reconstitute the Wheat Board for that year if they saw fit to do so? At the present time I am very much concerned about the wisdom of making a temporary appointment. So far as I have been able to gather, practically all the farmers of the West are unanimously in favour of the re-establishment of the Wheat Board.

The CHAIRMAN: May I remind Mr. Sutherland that it is now one o'clock, and the committee must soon adjourn.

Mr. SUTHERLAND: My remarks will not occupy more than a couple of minutes, Mr. Chairman. I now quote from Vol. LV., No. 80, pp. 4235-4236 of Hansard for June 24, 1920, a statement made by the leader of the Progressive party, the hon. member for Marquette:—

"I think the Minister of the Interior furnished the only argument that constitutes a real reason why the board should be continued for another year, and that is, the possibility of unified buying again in Europe."

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Then a little farther down:—

"It is one thing to interfere with trade because of the exigencies and conditions resultant from war. It is another thing to have that control woven into the fabric of our laws as a permanent policy of the country. . . ."

Again, a little farther down:—

"Personally I am opposed entirely to any permanent policy that means the control of the marketing of grain in this country. I agree with my hon. friend from Vancouver Centre (Mr. Stevens). With him occasionally I have differed in the past; but I am at one with him in this respect, that this measure, if adopted as a permanent policy, will be a long step forward in the direction of the socialization of industry in this country. If my hon. friend the Minister of the Interior and other members of the Government contemplate embarking on the theories of Marxian socialism in this country, well and good; but any permanent control of wheat marketing in this country means that and nothing else, and for that reason I do not think it is wise as a permanent policy, either in the interests of the consumers or in the interests of the producers, and I desire to so state my position in that regard in relation to this Bill."

Those of us who are in sympathy with the re-establishment of the Wheat Board want to know why it should be re-established for only one year, with the possibility of the de-control again taking place, which would create a disturbing condition at the beginning and also at the end of the control by a Wheat Board?

Mr. MAHARG: The resolutions that have been passed by the different organizations have not asked for the Board for just one year. They have asked for it for the season for 1922 and until such times as normal conditions assert themselves. I do not know how long it would be for; it might be for two years or longer, and it might be for only one year.

Mr. SUTHERLAND: Are conditions not approaching nearly normal now? Wheat is quoted at about \$1.35. I have seen wheat marketed at considerably under a dollar in normal conditions.

Mr. MAHARG: That is only one of the conditions. Conditions are very far from being normal all over the world. The buying of wheat in the Old Country is far from being normal. They are buying from hand to mouth in many countries and it may be necessary to hold wheat in order to stabilize the price to an extent that was unknown before. The conditions are not normal in so far as the individual producer is concerned. He is not his own master to the extent he used to be. He is controlled very largely by other interests than his own. There are scores of conditions which are not yet normal. The price of wheat has returned to normal, but it sometimes gets below normal. The question of wages was mentioned here, as being largely responsible for abnormal conditions. So they are, but other factors enter into the question. The farmer is continually purchasing implements for use on his farm, and they are not always immediately paid for. He must incur that heavy overhead, and liabilities contracted when prices were high must be met even if everything came back to a normal condition. In many instances he was compelled to pay three times the prices that obtain under normal conditions.

Mr. SUTHERLAND: Conditions were far from normal while the former Wheat Board was in operation owing to the fact that the British Government, which was the largest purchaser, and the allied Governments decided to purchase through a Commission. That de-control has taken place.

Mr. MAHARG: That is quite true. That condition of national and international buying has been removed, but the financial condition of the country is so abnormal that people just buy when they can buy, and there is not the steady flow there used to be.

The committee adjourned until Tuesday, April 11, at eleven o'clock, a.m.







SELECT STANDING COMMITTEE

JACKMAN

ON

# AGRICULTURE AND COLONIZATION

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Minutes of Proceedings and Evidence

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No. 3--TUESDAY, APRIL 11th, 1922

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Mr. C. B. Watts, Secretary Dominion Millers' Association.

SEP 20 1943



# SELECT STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION

## MINUTES OF PROCEEDINGS

TUESDAY, April 11, 1922.

The Committee met at eleven o'clock a.m. Present: Messieurs Kay (in the chair), Anderson, Baldwin, Bowen, Brethern, Brown, Caldwell, Campbell, Carruthers, Charters, Clifford, Crerar, Denis (Joliette), Dickie, Duncan, Evans, Fafard, Forke, Forrester, Fournier, Garland (Bow River), Gendron, Good, Halbert, Hatfield, Hubbs, Hunt, Jelliff, Johnson (Moosejaw), Jones, Kennedy (Glengary and Stormont), Knox, Leader, Leger, Lovett, Lovie, Lucas, MacKelvie, MacLean (Prince), McConica, MacCrea, MacKay, McKillop, MacMaster, McMurray, Malcolm, Maybee, Millar, Morin, Morrison, Morrisey, Motherwell, Neill, Pritchard, Rankin, Raymond, Robinson, Sales, Senn, Sexsmith, Simpson, Sinclair (Oxford), Spencer, Stansell, Stein, Stewart (Humboldt), Thompson, Thurston, Tobin, Tolmie, Warner, White, Woodsworth.

General discussion *re* the referring of the committee's second report back to the committee. Moved by Mr. MacMaster, seconded by Mr. Sales:—

"That the question of the constitutionality of the reconstitution of the Wheat Board with the powers conferred thereon in the Order in Council, establishing or extending the same, be referred to the law officers of the Crown for their reasoned opinion."

Motion carried.

Mr. C. B. Watts, secretary of the Dominion Millers' Association, was in attendance and gave evidence respecting the re-establishment of the Canada Wheat Board.

Further examination of witness postponed.

Committee adjourned till Thursday, April 20th.

ARTHUR GLASIER,

*Clerk of Committee.*



## MINUTES OF EVIDENCE

COMMITTEE ROOM 424,

HOUSE OF COMMONS,

TUESDAY, April 11, 1922.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock a.m., Mr. Kay, the Chairman, presiding.

The CHAIRMAN: The Committee will please come to order. Gentlemen, since our last meeting the second report of this committee referring to the constitutionality of the re-establishment of the Wheat Board was debated in the House, and the report has been returned to us. Is it the desire of the members of this committee to debate this report again this morning? I understand from the Minister of Justice that a special sitting of the Supreme Court could be called either on the 21st or 24th inst. That may have some bearing in the minds of the members of this committee on the report which we adopted last week and which has been returned to us by the House.

Mr. CAMPBELL: Could the Government give us a definite assurance, or could the Supreme Court itself give us any definite assurance, that the matter will be taken up on either of those dates?

The CHAIRMAN: I am in no better position than Mr. Campbell to say how long the Supreme Court would take to decide a stated case. I do not think the Supreme Court could furnish any assurance in that regard themselves.

Before we proceed further this morning, I would again request every member who desires to speak to furnish the reporter with his name before proceeding. An examination of the reports of previous meetings of this committee reveals the fact that the names of several members have been transposed in some cases, and in other cases remarks have been credited to members who did not speak, or vice versa. It is very difficult for the reporters to recognize the members of a new Government, and they will be greatly assisted if the members who desire to speak will kindly furnish their names.

Hon. Mr. MOTHERWELL: Mr. Chairman and gentlemen, there are two questions before this committee this morning. The first is: Shall we carry out the agenda for to-day and hear the evidence of Mr. Watts and other representatives of the Millers' Association, and also any other witnesses that have been notified to attend? The second question is: Shall we deal with the Second Report which has been referred back to this committee for reconsideration? It may be that we should, in fairness to the witnesses now in attendance, decide to take their evidence before we do anything else. On the other hand, this committee has the right to choose whether they will hear the evidence of Mr. Watts and his colleagues now or let it stand until after the Easter holidays, and take up the other matter which has been referred to by our Chairman. I do not think it will be practicable for the members of this committee to sit here this afternoon or this evening, because the Agricultural Estimates will be going through, and I have no doubt that a majority of the members will desire to be in the House at that time.

With regard to the question of referring the matter of the constitutionality of the re-establishment of the Wheat Board to the Supreme Court, on the day when that subject was brought up in the House by the Right Hon. Mr. Meighen, I had a short conversation with the Minister of Justice, in which he said he felt pretty sure that a special sitting of the Supreme Court could be secured during this month. I was not able to get in touch with the Minister of Justice this morning, but I did see his Deputy, Mr. Newcombe, who informed me that there is every reasonable certainty of the



Government being able to secure a special sitting of the Supreme Court within ten or twelve days. As you know, there are only a few things that can be regarded as certainties—among them being taxes and death—and there is no certainty about the sittings of the Supreme Court. What I have stated, however, may have some effect upon your decision in the matter.

Hon. Mr. CRERAR: Mr. Chairman, this question can scarcely be left in the position which the Minister of Agriculture has stated. On a previous occasion this Committee by resolution expressed its desire to ascertain whether or not it was within the power of Parliament to deal with this matter, and they suggested to the Government that the matter be taken up with the Supreme Court in order to ascertain that fact. That report went to the House, and it was suggested in the House that if there would be long delays incurred in securing an opinion from the Supreme Court the matter might be referred to the law officers of the Crown instead. That report was referred back to this Committee, and that is the position it is in to-day. Surely the Minister of Agriculture and the Government are able to inform us whether or not the Supreme Court will sit on a certain date to hear this case, and also how long it will take to dispose of it? Am I to understand from the Minister of Agriculture that the Supreme Court will sit on the 21st or 24th of this month if this Committee so desires? Will they give notice of that sitting now, so that the various provinces and other interests concerned can appear before the Supreme Court to present their respective arguments?

Hon. Mr. MOTHERWELL: I would be very glad indeed to furnish that information if it were in my power to do so, but as I have already intimated, the Deputy Minister of Justice stated that as far as he is able to say, that assurance may be given. I do not know how absolutely sure he is. As to when the decision of the Supreme Court will be rendered, I do not think anybody could be expected to venture an opinion. I do say, however, that it is as sure as anything can be sure without knowing that the Supreme Court can be convened in the time indicated. I am not sufficiently familiar with the uncertainties connected with the sittings of the Supreme Court to state what risk of delay might be incurred by referring the matter to it. I was led to understand by the gentleman mentioned that they could not make any absolute statement as to the date upon which the Supreme Court could convene, but that there was a reasonable certainty of it being convened in the course of ten or twelve days hence. I sought that information myself in order that something could be laid before you. If that information is of no value to you, there is no necessity for me to say anything more about the matter.

Hon. Mr. CRERAR: I feel perfectly sure that if the Minister of Justice or the Government through any other agency asked the Chief Justice of Canada whether or not a sitting of the Supreme Court could be held on the 21st or 24th instant, to consider this matter a definite reply could be secured. If we cannot obtain any assurance from the Supreme Court in regard to this matter, are we to act on the suggestion made in the House the other day that we refer it to the law officers of the Crown, or are we to ignore that and proceed as a committee—which I am perfectly satisfied to do—and consider the proposals and make a recommendation to Parliament and leave the matter there?

Hon. Mr. MOTHERWELL: There is another matter to which I might draw your attention: I think it would depend in some measure upon how long it would take the law officers of the Crown to prepare a stated case, and then how long it would take this committee to consider that stated case. It is improbable that this committee will sit again until some ten days hence, and I think we would like to hear and discuss the stated case, and ascertain whether it expresses all that you desire, or whether there is something in it rendering it reasonably certain that it would be unconstitutional, or whether, with certain eliminations from the memorandum placed before this committee requesting the re-establishment of the Wheat Board, it is possible to avoid the question of unconstitutionality. That will occupy some time. First, the stated case, then reference to you, and then possibly reference to the Supreme Court.

Hon. Mr. CRERAR: As a matter of fact, the Supreme Court does not sit again until the 2nd May, under their regulations, but if, as the Deputy Minister of Justice has stated to the Minister of Agriculture, they can sit on the 21st or 24th of this month, surely this Committee can receive notice as to whether they will do so or not? I am quite prepared to drop that aspect of the case altogether and consider this question on its merits with a view to bringing in a report to be discussed in the House if that is the proper course to take. My own judgment is that it is desirable to ascertain whether or not this committee has the power to do so. I do not see the difficulties connected with it that have been indicated by my hon. friend, the Minister of Agriculture. What are we considering? We are considering a definite request which has been referred to the Government by the Canadian Council of Agriculture for the re-establishment of the Canada Wheat Board with all the powers it had in 1919. Surely it is a simple matter to refer to the Supreme Court or some other authority the Order in Council creating that board and also the orders passed under that Order in Council, in order to find out whether or not it is competent for Parliament to pass legislation recreating that board with all its former powers? If it is the wish of the committee to ignore the constitutional aspect of the question and consider the question on the assumption that Parliament has the power to recreate this board, and then bring in a report, I am quite prepared to concur with that wish.

Mr. BOYS: Mr. Chairman, I am not a member of this Committee, but I understand it is the privilege of any member of the House of Commons to take part in the discussions in committee, and to do everything but vote. If I am correct in that assumption, I would like to make one or two observations. I represent a rural riding, and before I came to Ottawa I was interviewed by many of my electors with regard to this matter. It seems to me that if it were the desire of this committee to shelve this question they could refer it to the Supreme Court. I have practised law for nearly thirty years, and I think I am correct in stating there is no chance whatever of referring this question to the Supreme Court with any hope of securing a decision which would be of any use whatever during this session of Parliament. Supposing the Supreme Court did decide to sit on the 21st inst: Notice must be given to certain parties—I am not able to say who, but I should think many interests would be concerned—in order to enable them to attend the hearing, and in the most ordinary court proceedings from ten to fourteen days' notice is required. Then I suppose there would have to be a discussion with the Supreme Court—perhaps by the Deputy Minister of Justice—as to who should be notified, and that would occupy some time. Furthermore, in view of the fact that the regular sittings commencing on the 2nd May will engage the attention of the Supreme Court for three or four weeks, there is little likelihood of securing a decision in this matter before the House rises this session. Even if a decision were obtained, you would probably be faced with an appeal to the Privy Council. In view of these facts, why should we not decide, as a committee, what we want. As Mr. Crerar has stated, we are desirous of having the constitutionality of the re-establishment of the Wheat Board determined. If there is anything further than that, then let it be put down in black and white by this committee and referred to the law officers of the Crown for their opinion upon it. If that opinion is favourable, surely we can rely upon the wisdom of the law officers of the Crown, particularly when it is borne in mind that a man of Mr. Newcombe's acknowledged ability would pass upon it, assisted by many other able men. If, on the other hand, the Government is informed that there is no such power invested in them, some other course must be taken. Why should this committee run the risk of shelving this whole question by referring it to the Supreme Court when a very valuable opinion can be obtained from the Department of Justice with far greater speed? I imagine this committee could decide within one hour what they want to do. In fact, if I am a judge of the matter from what I have heard in the House and also this morning, it is quite evident that the majority of this committee want the re-establishment of the



Wheat Board with all the powers it had before. If that be true, why can we not go to the Justice Department at once and ascertain whether or not that power exists? If the law officers of the Crown say that this committee has no such power, then let them also say to what extent power along that line may be exercised by this committee, and let us proceed to the limit of the law. Above all things, let us secure a speedy decision of this matter.

Mr. McMASTER: Mr. Chairman, I think this committee has to decide upon questions of fact and questions of law. I do not see why these cannot be carried out concurrently. Perhaps I was wrong the other day when I deferred so willingly to Mr. Crerar's suggestion to refer the matter to the Supreme Court. Perhaps you will remember that my first opinion was that the question of constitutionality should be referred to the law officers of the Crown. It might be better to refer it to the law officers of the Crown and concurrently proceed with our examination of the facts. Of course, from the point of view of those who desire the re-establishment of the Wheat Board, its recreation will be of little use unless it is based on a sound, constitutional foundation. We might, however, hear the evidence concurrently with referring the matter to the law officers of the Crown and possibly, at the same time, ask the Supreme Court to pass upon it. If the law officers of the Crown passed upon it, there would, I think, be a *prima facie* constitutional warrant for this committee to proceed. In any event, I cannot see any objection to hearing the witnesses.

Hon. Mr. CRERAR: That view is quite satisfactory to me. I am not a lawyer and am unable to argue this matter from a lawyer's point of view in regard to the length of time it might take the Supreme Court to give us its opinion. Mr. Boys has conjured up the difficulty of an appeal to the Privy Council. I think I have sufficient commonsense to know that that assumption has no real foundation in fact, so far as this matter is concerned. If the Supreme Court gave a decision that this Parliament has the power to pass the desired legislation, Parliament could proceed to recreate the Wheat Board, and there is no other court in Canada that could restrain Parliament from so doing. The matter would not necessarily be tied up by an appeal to the Privy Council, even if such appeal were taken, and I therefore think the argument by Mr. Boys is of little value. I am bound to defer to the opinion of lawyers as to the length of time it might take to get a decision from the Supreme Court, but I must confess I do not appreciate the difficulties in that respect that have been suggested by my hon. friends. Let us expedite the matter in the way it can best be expedited. The suggestion put forward by Mr. McMaster to the effect that we might secure the opinion of the law officers of the Crown and also, if necessary, of the Supreme Court, and base our action thereon is probably worthy of consideration. I understood the Hon. Mr. Motherwell to say that the Supreme Court would be quite willing to sit on the 21st or 24th of this month to hear the question. This is the 11th of April. If the Supreme Court decided to sit on the 24th, it would render it possible for the various parties concerned to receive twelve to fourteen days' notice to appear, and that, according to Mr. Boys, would be quite sufficient notice. I am not, however, urging that aspect of the case.

Hon. Mr. MOTHERWELL: My good friend Mr. Boys stated that this committee wanted to shelve the matter by referring it to the Supreme Court.

Mr. Boys: No: I said the effect would be to shelve it if it were referred to the Supreme Court.

Hon. Mr. MOTHERWELL: I think it is unfortunate that anybody should suggest that any one desires to shelve this matter. Mr. McMaster raised the constitutional question in good faith, and I was one of those who indicated the length of time that would likely occur before a decision could be obtained. Then an amendment was made to that by the Hon. Mr. Crerar. Why should he want to shelve it? It seems to me it was a logical suggestion to make, and one which was concurred in by practically



every member of this committee. If any shelving has been done we are all concerned in it. It is useless for any of us to try to shirk the responsibility of that decision. The decision may have been wrong, but we have been asked to reconsider the matter, and it is our prerogative to reverse it if we so desire, but it should not be suggested that some one is trying to shelve the matter because Parliament has asked this committee to reconsider it. That should not even be suspected. Everything has proceeded harmoniously heretofore, and I think it would be well that that state of affairs should continue. If my hon. friend did not mean that anyone was trying to shelve it, I will accept his statement.

Mr. Boys: I have already stated that, and yet you have continued to comment upon the matter.

Hon. Mr. MOTHERWELL: And if Mr. Meighen did not mean to infer anything about ditching it, I will accept that, too.

Mr. Boys: I am simply speaking for myself.

Hon. Mr. MOTHERWELL: I raised the point about the length of time that would likely elapse before a decision could be obtained from the Supreme Court because if it took too long I would get the blame. I now believe we can obtain a speedy decision, but if any member of this committee thinks we cannot do so, I am quite willing to accept any other proposition that may be put forward. This committee could obtain the opinion of the law officers of the Crown or any other authority it desired. It could, if it thought it wise, obtain the services of two or three of the best constitutional lawyers in Canada to assist and supplement the efforts of the law officers of the Crown. Whatever is decided upon, let us retain absolute confidence in each other. The real question before us, as I understand it, is: Shall we take up the reconsideration of this report or proceed with the evidence?

Mr. Boys: Mr. Chairman, when I assured Mr. Motherwell that I had not suggested than anyone was endeavouring to shelve the matter by referring it to the Supreme Court I did so privately, but it may not have been recorded by the reporter, and I therefore feel I should make my statement perfectly clear. I did not make the suggestion that anybody here or elsewhere had any thought of shelving this matter. What I did suggest was that if anybody wanted to shelve it, the way to do so would be to proceed by way of the Supreme Court. My suggestion—with which I think Mr. McMaster agrees—is that this committee at once obtains the opinion of the law officers of the Crown as to where we stand.

Mr. LEADER: Mr. Chairman, I represent a constituency which has asked for the re-establishment of this Wheat Board, and I am in favour of its re-establishment. I am also a member of this Agricultural Committee, and as such have a right to be heard, and I am quite sure it is the pleasure of the chairman and the hon. gentlemen here to listen to what I have to say on the subject. When this memorandum was submitted to the Government by the Canadian Council of Agriculture they asked for one specific thing. The Government then submitted the matter to this committee for consideration. It is my opinion that we made a mistake when we deviated from that specific request submitted by the Council of Agriculture—

The CHAIRMAN: Pardon me for interrupting you, but the question we have to decide this morning is what our course of procedure shall be, whether we shall hear the evidence of the witnesses who have been summoned to attend or proceed to discuss the report which this Committee submitted to the House of Commons and which has been referred back to us. I think we had better discuss these two points and not our views on whether we want the Wheat Board re-established or not.

Mr. LEADER: I thank you. I was going to say I voted against the widening of the scope of this Committee, and voted for the other resolution, but I am prepared to change my attitude if I am justified in doing so. The reason I voted that this matter be submitted to the Supreme Court was because I knew nothing about the legal aspect. In fact, I know nothing about it yet, but it has been suggested that speedier

results will be secured by submitting the matter to the law officers of the Crown rather than to the Supreme Court and I am therefore willing to reverse my former attitude and vote that the matter be referred to the law officers of the Crown. The hon. Mr. Crerar has suggested that we should do our best to expedite the matter. I believe it is the duty of this Parliament to pass the necessary legislation to re-establish the Wheat Board, and I think it is up to those who are opposed to this legislation to take whatever steps they think necessary.

Hon. Mr. TOLMIE: Mr. Chairman, I understand the usual practice in the British House of Commons is to refer matters of this kind to the law officers of the Crown and not to the Supreme Court. As I understand it, what we want is a Wheat Board or an improved selling organization for the disposition of our grain grown on the prairies and other parts of Canada. We want that as quickly as possible, and I therefore believe the proper course to pursue is to submit the matter to the law officers of the Crown for the purpose of ascertaining our powers and limitations thereof, and get our legislation before the House and on to the Statute books. After that is done, anyone who desires to fight it may do so.

Hon. Mr. CRERAR: Mr. Chairman, there appears to be complete unanimity of opinion with respect to the need for action in this matter. Mr. Boys has voiced that view very vigorously, and has been strongly supported by the Minister of Agriculture, and speaking for the Progressives in this Committee I can say that they desire action more than anything else. Would it not be possible to refer the question to the law officers of the Crown in this form, as to whether it is competent for Parliament to pass legislation re-enacting the Wheat Board with all the powers it had under the Order in Council passed in 1919, and the orders issued under that Order in Council? I want to make clear my reason for making that statement. It is because the memorandum submitted to the Government and which is being considered by this Committee asks for that and for nothing else. It wants the re-establishment of the Wheat Board as it was in 1919.

Mr. Boys: I support the suggestion made by Mr. Crerar.

Hon. Mr. MOTHERWELL: If Mr. Crerar's suggestion takes the form of a motion, I do not think Mr. McMaster's suggestion can be followed. Like Mr. Crerar, I do not know anything about legal etiquette, but it does appear to me that it would be proper for the law officers of the Crown to furnish us with an opinion and at the same time submit a stated case to the Supreme Court.

Mr. McMASTER: I do not see any legal objection to that. As I said before, if we secured a favourable opinion from the law officers of the Crown it would furnish us with a *prima facie* warrant to proceed to reconstitute the Wheat Board if it was desired to do so. At the same time, in order to prevent the issue of injunctions by inferior tribunals, it might be wise to submit a stated case to the Supreme Court for their decision. It seems to me that the members of this Committee are nearer together than is apparent, and I am prepared to move that the question of the constitutionality of the reconstitution of the Wheat Board with all the powers heretofore conferred thereon be referred to the law officers of the Crown, and that meanwhile the examination of witnesses be proceeded with. That is not an unfamiliar proceeding to those who practise law. Very frequently the court delays the decision on the question of legality and proceeds to take the evidence. That practice is known as hearing the proof before giving a decision on the legal questions involved. This Committee might hear the proof and refer the legal questions to the law officers of the Crown who are employed for that purpose.

Mr. Boys: I understand that any member of the House of Commons has the right to appear in any committee and take part in the discussions, and do everything but vote, if he is not a member of the committee. If that is your ruling, Mr. Chairman, I would like to support Mr. Crerar's motion.



Hon. Mr. MOTHERWELL: I think we should welcome Mr. Boys' opinion as a lawyer.

The CHAIRMAN: I am not quite prepared to quote the rules of the House as to the status in committee of an hon. member who is not a member of that committee.

Mr. BOYS: The question arose about three years ago in the Railway Committee, and I know it was so determined then, but if there is the slightest objection I shall sit down.

The CHAIRMAN: I do not think there is any objection on the part of the members of this Committee to Mr. Boys taking part in the discussions, but I think motions should be seconded by members of the Committee.

Mr. BOYS: I would like to make this suggestion regarding the double-barreled action referred to by Mr. Motherwell: It seems to me that it might involve some reflection on the Justice Department if we asked the Justice Department for an opinion on this matter and at the same time proceeded to the Supreme Court. At the same time I do not think we should be troubled about it, because I am quite satisfied that you can secure an opinion from the law officers of the Crown between now and the next meeting of this Committee as to the legality of the question. If you then think it is necessary to proceed to the Supreme Court you may do so as soon after the Easter holidays as you think desirable.

Hon. Mr. TOLMIE: In connection with Mr. Crerar's suggestion, would it not be a good idea to obtain from the law officers of the Crown a definition of our powers and limitations in the event of their furnishing a negative opinion on the question of the legality or constitutionality of the re-establishment of the Wheat Board?

Hon. MEMBERS: Hear, hear.

Hon. Mr. CRERAR: I have no objection whatever to offer to that suggestion, but the position is that the Canadian Council of Agriculture, speaking on behalf of many many thousands of farmers in Western Canada, have asked for the re-establishment of the Wheat Board with all the powers it had in 1919. However, it would do no harm to ascertain what powers we possess. I hesitate to draft any resolution in connection with this matter, for I naturally fear to rush in where angels fear to tread, especially when there are lawyers present. It seems to me, however, that a reference such as I suggested might be submitted to the law officers of the Crown: Is it competent for this Parliament to pass legislation endowing a Wheat Board with all the powers exercised by the board in 1919. If it can do that, then undoubtedly the board can function as it functioned in 1919.

Mr. McMASTER: In order that my motion may be properly before the meeting I move:

That the question of the constitutionality of the reconstitution of the Wheat Board with the powers conferred thereon by the Orders in Council establishing or extending the same be referred to the law officers of the Crown for their opinion.

I understand there was an Order in Council establishing it, and also other Orders in Council extending its powers.

Mr. SALES: Would you be willing to incorporate Dr. Tolmie's suggestion that in the event of the law officers of the Crown furnishing a negative opinion they be asked to define our powers and limitations? If that is done our people in the country will know exactly what they can do, and the Canadian Council of Agriculture will also be possessed of that information.

Mr. McMASTER: I am in the hands of the Committee, and would like to get the mind of the committee in drafting this resolution. It seems to me it would be well for us to ask for a reasoned opinion from the law officers of the Crown. By doing so we will get from them a definition of the limits of our powers.

Mr. SALES: I second that motion.



The CHAIRMAN: It has been moved by Mr. McMaster, seconded by Mr. Sales, that we submit the following resolution as the Fourth Report of this committee:—

"That the question of the constitutionality of the reconstitution of the Wheat Board with the powers conferred thereon by the Orders in Council, establishing or extending the same, be referred to the law officers of the Crown for their reasoned opinion."

Motion unanimously agreed to.

The CHAIRMAN: Gentlemen, Messrs. Watts and Rice representing the Dominion Millers' Association are in attendance here this morning. It is now twelve o'clock noon. If there is not sufficient time left in which to hear their evidence, I suppose we should not ask them to proceed?

Hon. Mr. CRERAR: I think the committee should hear the evidence of these gentlemen. In the hour still at our disposal my old friend, Mr. C. B. Watts, will be able to place before this Committee a great deal of information which they can digest during the recess.

The CHAIRMAN: Do you think the committee could sit this afternoon?

Hon. MEMBERS: No.

The CHAIRMAN: Then I will ask Mr. Watts to come before you.

Mr. C. B. WATTS (Dominion Millers' Association): Mr. Chairman and gentlemen,—As this matter is one of immense importance not only to the farming community, but also to the milling industry, especially of Ontario, we would request your patient hearing while we place before you the facts which we have to present to-day. I was appointed central wheat buyer of the Dominion Millers' Association over thirty-one years ago, and for thirty years I have been a member of the Eastern Standard Board, fixing the grain standards on which the Ontario crops are bought and sold. I have attended over twenty-five annual meetings of the Western Standard Board which is engaged in fixing the standards on which the western crops have been sold. I also had the honour to be appointed a member of your Wheat Board, and I think I am not going too far in claiming for the Dominion Millers' Association with Mr. Maharg and Mr. Henders the credit and honour of being very largely instrumental in having the Wheat Board appointed. For these reasons I think we are entitled to come before you and give you the benefit of our experience covering this period of time.

In order rightly to understand the condition of affairs that existed at the time the Wheat Board was established, and the situation which led up to its creation, I am going to place before you letters which were written to Sir Thomas White on April 10, 1919, and June 25, 1919, and also a letter to the Hon. S. K. Maclean, Acting Minister of Trade and Commerce, under date June 23, 1919, and a copy of a letter dated April 15, 1919, to members of the Dominion Millers' Association.

The following letters were handed in:—

At OTTAWA, April 10th, 1919.

The Hon. Sir THOMAS WHITE,  
Acting Premier,  
Ottawa.

*Best Solution of Marketing Balance 1918 and 1919 Crops*

HON. AND DEAR SIR.—The United States Grain Corporation announce they had advised European nations the U.S. could not supply them with any more wheat or flour from the 1918 crop.

This is Canada's golden opportunity to merchandise her exportable surplus of the 1918 crop.

[Mr. C. B. Watts.]

This must be sold before the 1st of July when the U.S. winter wheat crop of over 800,000,000 bushels will be ready to market.

The Government took the risk of guaranteeing the price, let it take the profit instead of allowing individual brokers and millers who have run no risk make profits reported to be several dollars per barrel on sales to neutral countries who have gold.

*Re 1919 Crop*

No Canadian grain or milling firm, no matter how big, can successfully compete against the U.S. Government in marketing Canadian wheat and flour, so it must be done *nationally*.

Wheat prices should not be fixed, but the Government should provide every facility to sell Canada's wheat and flour in the best markets at the maximum prices and the minimum of expense.

Adopt for this purpose tried machinery as in the United States.

Utilize the Canadian Wheat Export Company under Mr. James Stewart, whose experience, strength, ability, and fair-mindedness, make him pre-eminently fitted for the position.

This proposal would receive the full endorsement of the Dominion Millers' Association, and I believe of the Western Millers' Association, and is the only feasible plan by which the best interests of the farmers of Canada can be served.

Even the biggest millers would have to acknowledge that this plan is in the best interests of the country, although two or three of them might make more money by individually marketing their product abroad.

Yours sincerely,

C. B. WATTS,

*Secretary of the Dominion Millers' Association.*

TORONTO, ONT.

June 25, 1919.

Hon. Sir THOMAS WHITE,  
Minister of Finance,  
Ottawa, Can.

*Farmers Aid Canada's Finances*

HON. AND DEAR SIR,—Instead of a burden on Canada's finances, my plan, as further elaborated below, would provide many millions for some months, to lighten Canada's financial burden. My proposal has found favour with the Millers' Committee, the representatives of the farmers, Messrs. Maharg and Henders and representatives of the Winnipeg Grain Exchange, if the latter cannot get an open option market, which I believe under present conditions, would prove disastrous to wheat value.

The Government would guarantee the price of \$1.50 cash Fort William for No. 1 Northern to the farmer and also any profit that might be realized over this price on the crop after deducting carrying charges and expenses of selling.

The grain dealers, millers, etc. would pay the farmer \$1.50 cash and issue a wheat ticket which in reality would be a Warehouse Receipt, to the farmer for the quantity of wheat delivered.

The farmer would exchange *Warehouse Receipt* at bank specified by the Government for a *Quantity Wheat Certificate*, which would entitle him to his *pro rata share in any profit to be divided at the end of 1920*.

[Mr. C. B. Watts.]

With large firms, like the Ogilvie Flour Mills Co., the Lake of the Woods Milling Co., etc., the Government could arrange for them to issue the certificates direct instead of through the banks but depositing the Warehouse Receipts with the banks in Winnipeg, specified by the Government, in exchange for a specified number of Quantity Wheat Certificates, which they would issue to the farmers direct.

The operation is very simple. Take for illustration, the Lake of the Woods Milling Co. Suppose they had bought on the 15th of October 500,000 bushels of wheat for which they had paid the farmers \$1.50 per bushel and deposited the Warehouse Receipts for the same with their bankers, to be held until they deposited with the bankers to the credit of the Government, the difference between \$1.50 paid and the price fixed by the Government. This, we will say is \$2 for the last half of October. Say, on the 20th, they want 100,000 bushels of wheat to fill their sales. They would go to the bank and pay \$50,000 to the credit of the Government and the bank would surrender Warehouse Receipts for 100,000 bushels.

This, would close the transaction as far as the miller is concerned except he would be entitled to buying charges, interest and carrying charges in a similar way to those allowed by the Board of Grain Supervisors on the 1918 crop all of which would come out of the moneys deposited to the credit of the Government over the \$1.50 paid the farmer.

With the United States price \$2.26, I am satisfied that such a large proportion of the crop would be sold above \$1.50, that even if a percentage should be sold under \$1.50, that the surplus would pay the farmers a substantial profit after providing for carrying charges, etc.

At \$1.50, I believe the banks would be prepared to finance their customers and carry the grain until such time as it would be marketed if the Government would place the selling of the crop in the hands of Mr. James Stewart, whose experience as President of the Allied Buyers in Canada, should prove of equal advantage as head of the Selling Corporation to handle Canada's 1919 crop.

This plan is so simple and effective and it would provide the Government with a large amount of funds instead of being a drain on its resources. It should be at once adopted for the reasons given in the letter to the Hon. A. K. Maclean, copy of which I enclose herewith.

The letter referred to in the 5th paragraph, from Mr. Law of Glasgow, who is now or was lately President of the British Flour Importers Association, is in part as follows:

"It is quite easy to answer your question as to the continuance of wheat and flour control here. The people of this country are eating a subsidized loaf. If the Government *were to terminate control* and allow prices to reach their natural level *bread would be at least 35 per cent dearer* than it is. This would immediately create labour troubles where they do not exist and intensify them where they do exist and the present British Government cannot afford to do that. In our judgment the policy of the subsidized loaf was a wrong policy but the Government will now have to follow it out to the end and the end will only come when the price of the raw material falls to a point at which bread at the present subsidized price becomes an economic proposition and *we are a very long way from that*. Most dealers doubtless like ourselves, feel the conditions irksome and would infinitely prefer freedom with all its risks."

Trusting that the above will show you that the plan proposed is thoroughly workable.

Yours very truly,

C. B. WATTS,

Secretary.

[Mr. C. B. Watts.]



June 23, 1919.

Hon. A. K. MACLEAN,  
Acting Minister Trade and Commerce,  
Ottawa, Can.

*Re Marketing 1919 Wheat Crop*

DEAR SIR,—As on Thursday you asked why the Government should interfere more than before the war in the marketing of Canada's wheat crop. I beg to submit the following reasons:

1. The U.S. Government has voted \$1,200,000,000 for the purpose of handling the U.S. wheat crop which would margin down the price approximately to \$1.25 per bushel.

2. This money has been put at the disposal of the U.S. Grain Corporation, formed by the Government of the ablest men in the U.S. to handle and dispose of the U.S. wheat crop of 1919 to the best advantage possible.

3. You could not expect individual traders no matter how large or any combination of individual traders be able to successfully sell in the markets of the world against the U.S. Grain Corporation backed by the U.S. Government.

4. Competition by individual firms in trying to sell Canada's crop abroad would mean cutting in selling prices in endeavours to secure business and an advance in freight paid in competition to secure ocean space, both operations resulting in a lower price for the grain to the producer, all of which would be eliminated if the sales were made through one central corporation as in the U.S.

5. No sane business man will believe that Great Britain has spent as much as \$300,000,000 per year to keep the 4 lb. loaf at 9d. during the war. She is going to allow it to go up to 12d. or 15d. per loaf during the present period of industrial unrest there.

In spite of Mr. Botterell's opinion that the British Government would release control in a couple of months as wheat would have to decline to \$1.25 according to my calculations and Mr. Jas. Stewart said under \$1, on present freight rates in order to supply the 9d. loaf under normal conditions, so it is plainly apparent that wheat and flour will have to be under control for practically another year as far as Great Britain is concerned.

6. Hon. Mr. Perley's cable did not state that Great Britain was going to decontrol wheat and flour there but that it was anxious to see it decontrolled in other countries. This was natural as with individuals in other countries, competing against one another to sell, Great Britain would naturally buy cheaper than if compelled to purchase through one or two sellers representing the various Governments.

7. France and Italy are exactly in the same position as Great Britain in regard to breadstuffs being supplied their population, which were below cost and must continue to do so for the same reasons.

8. Individual shippers would find it very difficult to secure tonnage for small lots and have to pay much higher freight rates than if the sales were made by Government agent in cargo lots and the Government could charter ships to carry not only wheat and flour but all other Canadian products and manufactures at much lower rates of freight and secure boats to ports where it would be impossible for individual shippers to operate.

*Open markets on oats, barley, corn, etc.:* Open market advocates quote these options as why wheat should be uncontrolled but no such steps have been taken either by the United States Government or the Allied Governments to

[Mr. C. B. Watts.]

control these articles as in the case of wheat and flour but nevertheless only last month the United States Government informed the Chicago Board of Trade if they did not take steps to limit the speculation in corn, that the Government would have to interfere.

The United States experience during the war showed them that the best method of handling their wheat crop was through a Government controlled Corporation and Canada should profit by their experience and do likewise.

*Pay the farmer \$1.50 per bushel and all profits:* This proposal appears to meet the approval of the Winnipeg Grain men if they cannot have an open option market and also the farmers' representatives and others as being the best plan to handle the crop.

This would not entail the Government advancing any money but rather the contrary as under my proposal as explained Thursday, all profits over \$1.50 would be paid into the Government as trust until the final distribution at the end of 1920, I am confident that the Government would have considerable surplus on hand during most of this period.

With the Government guarantee of \$1.50 per bushel, there is little doubt that the banks would be prepared to finance their customers for an indefinite period for all the wheat that the elevators in Canada could carry, provided the banks were assured that every endeavour was being made to market the grain abroad by a Government Corporation, similar to that organized by the United States Government.

With the United States price fixed at \$2.26 the Winnipeg cash market will probably open considerably over \$2.00 unless the price is unduly depressed through the opening of the Winnipeg Option market which certainly should not be unless the Chicago market is opened first. I feel confident that so much wheat will be sold before the price declines to \$1.50 that even if it should temporarily sell below that figure, there will be a large enough profit made to not only pay all the carrying charges and expenses of operation but return a very substantial payment to the farmers over \$1.50 on their wheat certificates, thus protecting the farmer and strengthening the finances of the country.

*Defrauding the Government:* Fear was expressed by Mr. Tilt that the Government might be defrauded under the proposed modifications of the Australian system but as explained Thursday, by working through the regular trade channels, utilizing the grain dealers and the millers, who under the amendments now being made to the Canada Grain Act may all be required to give bonds, there is practically no danger of anything of this sort occurring.

As the wheat receipts given to the farmers by the millers and grain men, would be warehouse receipts to the Government, the buyers would, for their own protection, see that no fraud occurred as they would be the losers and not the Government. Under my proposal the millers and the grain trade would use their own credits in handling the crop and would be paid commission and carrying charges similar to those allowed last year by the Board of Grain Supervisors. The commission and carrying charges would be paid out of the surplus before distribution of profits, to holders of the quantity certificates.

The very simplicity and effectiveness of this plan should commend itself to the Government as it would require no new machinery excepting the formation of the selling corporation as proposed in the verbal report of Messrs. Botterell, Stewart, Crerar, Maharg and Henders and approved in the report of the millers and representatives of the Montreal Grain Exchange.

Yours very truly,

C. B. Watts,

Secretary, The Dominion Millers' Association.

[Mr. C. B. Watts.]

*The Dominion Millers' Association*

1801 Royal Bank Bldg.,

Toronto, April 15, 1919.

Gentlemen: Enclosed we hand you copy of a letter written to Sir Thomas White, of April 10th, which speaks for itself.

Your Executive Committee has unanimously endorsed the letter, although a number of the members said that while he did so as a member of the Executive Committee, he was personally satisfied that their Company could make more money the next few months if they were free to sell without restrictions.

We are informed that cables have been received at Ottawa from neutral countries wanting to buy wheat. As the neutral countries have received all the benefits accruing from the war, even to supplying enemy countries and our Government took the risk of fixing the price for their benefit as well as for the benefit of the Allies and as only Canada can supply strong wheat flour which is what the neutrals want to mix with the soft flour received from other countries, we feel that it is in the best interests of Canada that flour should be shipped to the neutral countries instead of wheat. Also, that they should be made pay a good price for it which should go into the coffers of the Government after allowing the millers a reasonable figure for milling the flour.

A wire from New York, Friday read "The Food Administration will not allow any Canadian grain to come through this country as the demand for our own grain is so great it is feared they cannot handle any outside grain."

If this condition exists now, what is going to happen when the 1919 crop is harvested? The Government should take immediate action suggested in our letter of April 10th to Sir Thomas White and secure the services of the most experienced and biggest men available to form plans for marketing our 1919 crop in competition with the U.S.

If you know your representative at Ottawa, you should take the matter up with him and impress on him the importance of this question being immediately handled in a businesslike manner by men who know the export flour and grain trade in order to protect the interests of the Canadian farmer and the Canadian miller.

As your member will probably be home on Friday for the Easter Holidays, you had better go down and see him personally and explain to him the great gravity of the situation which Canada faces during the coming year unless immediate steps are taken to solve the problems confronting us.

Yours very truly,

C. B. Watts,

Secretary.

The Dominion Millers' Association.

I have here, Mr. Chairman, a summary of my evidence which, with the permission of this Committee, I will proceed to read.

The CHAIRMAN: Yes.

Mr. C. B. WATTS: (Reads Summary of Evidence as follows:)—

[Mr. C. B. Watts.]



## SUMMARY OF EVIDENCE—C. B. WATTS

OTTAWA, April 11th, 1922.

(1) Central Wheat Buyer and Secretary of the Dominion Millers' Association since March 1, 1891.

(2) Have been nearly thirty years member of the Eastern Grain Standard Board.

(3) Attended over twenty-five annual meetings of the Western Grain Standard Board, to take part in making the Western Grain Standards.

(4) I think I can fairly claim for our association with Messrs. Maharg and Henders, the credit and honour of establishing the Canadian Wheat Board and I helped to revise the original Order in Council, establishing the Wheat Board.

In fact, only last week, the Hon. Arthur Meighen, in expressing the hope that we would support the application for re-establishment of the Wheat Board, said we never gave the Government any rest till the Wheat Board was established.

I am not mentioning the above in any spirit of egotism but simply to let this committee know that I have had considerable experience in the handling of western grain and I believe that the Hon. Mr. Motherwell, Minister of Agriculture, with whom I have worked on the Western Standard Board for many years, will certify that I have always fought in the best interests of the farmers even if it was against the interests of the grain men as for the last thirty-five years, I have always held that the real interests of the millers and the farmers were so closely identical that one could not be gravely injured without hurting the other.

(5) In order to rightly understand this momentous question to the western farmers, it is necessary to rightly understand the situation which led up to the appointment of the former Wheat Board, so I beg to attach hereto copies of letters written to Sir Thomas White, Minister of Finance, dated April 10, 1919, on "Best solution of marketing balance of 1918 and 1919 crops" and June 25th on "Farmers Aid Canada's Finances," which outlined the method of giving the farmers a Participation Certificate.

Letter to the Hon. A. K. Maclean, Acting Minister of Trade and Commerce, June 23, 1919, *re* "Marketing 1919 Wheat Crop."

Also, copy of a letter written to the members of the Dominion Millers' Association, April 15, 1919, enclosing copy of letter to Sir Thomas White of April 10th, from which I quote one passage as follows:

A wire from New York, Friday, read—"The Food Administration will not allow any Canadian grain to come through this country as the demand for our own grain is so great, it is feared they cannot handle any outside grain."

If this condition exists now, what is going to happen when the 1919 crop is harvested? The Government should take immediate action suggested in our letter of April 10th to Sir Thomas White and secure the services of the most experienced and biggest men available to form plans for marketing on 1919 crop in competition with the United States.

(6) These clearly show you the abnormal conditions which existed at the time the board was created. Conditions were such when the Wheat Board was appointed that the grain dealers as well as the millers and farmers recognized that the extraordinary condition of affairs existed and they joined with the millers in giving the Wheat Board their hearty support in co-operation in solving the great difficulty which faced the farmer in marketing his wheat with only Government buying in all the principal wheat buying markets of the world and with the United States having voted \$1,200,000,000 to finance the United States grain co-operation and giving the United States farmer a guarantee of \$2.25 per bushel for his wheat. Without this hearty co-operation and good will

[Mr. C. B. Watts.]

shown by the grain dealers and the farmers it would have been absolutely impossible for the Wheat Board to have made and put into effect the extraordinary and arbitrary regulations which we enforced.

The only freedom allowed was one farmer to sell to another farmer except those near the United States border on getting permit from us to sell in the United States so except the wheat smuggled across without permits, to take advantage of the high prices in the United States compared with the \$2.15 advanced payment here, we dictated the prices and handling every bushel of wheat sold. If a farmer exercised his judgment, held his wheat six or nine months and sold it when the price was high, he only got same pay as the farmer who sold early when the price was low. Then, again, the millers bought wheat at \$2.30, paid for it, brought it across the lakes, had it in their mills, and on the 30th of December, we made them take stock of every bushel of Manitoba wheat and every pound of Manitoba flour, they had on hand and pay 50 cents per bushel to the Wheat Board for every bushel they could not produce a contract for to show the flour was sold, and we would not allow them to sell for more than thirty days shipment ahead.

Mr. WATTS: You see, some of the regulations that were put into effect were very, very drastic, and I feel confident that you could not put any such regulations into effect to-day. However, that is just an illustration of what happened.

(Continues reading):—

I know cases of great hardship occurred here in Ontario where small millers sold Ontario wheat flour to flour dealers, bakers, and even big millers for later shipment, expecting to buy the wheat from the farmers contributory to their mills, or the country dealers in the ordinary course and the prices were suddenly advanced and they had to pay the advanced price for the wheat but to supply the flour at the low price sold, the unfortunate miller losing hundreds of dollars on the sale, and the buyers putting hundreds of dollars in pocket which they did not earn.

(7) The wonderful success of the Wheat Board was due,—

(1) To the natural rise in prices owing to the extraordinary conditions existing.

(2) To the fact that we had in our chairman, Mr. Jas. Stewart, a man whose experience and ability is unsurpassed on the American continent and without a peer in Canada.

(3) That our chairman, was not only a man of extraordinary good judgment, but had the nerve and backbone to carry a tremendous load for weeks and months when apparently his judgment was wrong, and in the end the board was able to divide among the farmers of Canada \$66,000,000 over the initial payment based on \$2.15 for No. 1 Northern in store Fort William which had been made to them.

You can form some idea of the extraordinary burden which he carried, and the risk to his reputation which he ran when I tell you that for three months, from December to April, 1920, we practically never sold a bushel of wheat or a barrel of flour and were carrying over 30,000,000 bushels in wheat and flour, valued at over \$80,000,000.

(8) *Powers.*—I specially wish to call your attention to the above statement, and ask this Committee if they are prepared to let another Wheat Board carry such heavy responsibility and run such terrible risks or again intrust even the same Wheat Board, if they could be got to serve with the same extraordinary power which the old board exercised, and which undoubtedly were one of the big elements in its successful operations.

(9) *Continue the Wheat Board.*—When this question came up in the Summer of 1920, our President, Mr. R. A. Thompson, of Lynden, who is here

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with me to-day, together with Mr. Rice and myself appeared before the Committee of the Cabinet and strongly advocated the continuance of the Wheat Board for another year. We did this, because while wheat was decontrolled in the United States it was not in Europe, where our principal markets were, the buying of wheat and flour was still under Government control, and we felt that in order to obtain the best returns for Canada's wheat, that the selling should be in the hands of one agency, working to get the highest possible price instead of ten or twenty exporters competing against one another trying to sell for any price that would give them a margin of profit. Even the countries abroad where they were paying through trade channels, the offers were submitted to the Government for acceptance, so in reality there was only one buyer, the Government in each country and we felt that there should only be one seller here as in 1919 and 1920. In this request, we supported Mr. Maharg and Mr. Henders, who also wished to continue the Wheat Board another year, but were opposed by members of Winnipeg, Montreal and Toronto Grain Exchanges and by the big milling companies, but they have one and all since acknowledged that they have made a mistake and they would have been better off if the Wheat Board had been continued another year.

(10) *Conditions Changed.*—To-day, however, Government monopoly or control of buying has been abandoned in every market to which Canada's wheat or flour is shipped except Norway and Sweden, and it is expected that both these countries will be de-controlled shortly, so that the reasons which led us so strongly to support the continuance of the Wheat Board in 1920 no longer exists. But if we could believe the claim of Mr. Woods that \$25,000,000 could be realized or any substantial portion of that amount more for the farmers of Canada, I believe that the millers would be prepared to support the application, provided that they were guaranteed fair treatment, but I regret to say that in none of the addresses delivered so far have we seen any concrete method pointed out, by which such a desirable state of affairs is to be attained. We must always bear in mind that Canada's wheat crop must be sold in competition with the wheat crops of the world, and that the price at which our wheat can be sold is not established or made here in Canada, but in the open markets of the world.

The old Wheat Board utilized all of the present machinery except the option market for handling the crop, of which two of the most important factors are the Saskatchewan Co-operative (of which I believe Mr. Maharg is chairman), with their 36,000 shareholders, I understand, and the United Grain Growers with their tens of thousands of shareholders are among the largest handlers of grain. These companies composed entirely of farmers have made no proposition that I had seen to reduce the charges for marketing the farmers' grain, so we can infer that they are fair and reasonable. Owing to the competition among the grain dealers in the handling of this year's crop, I think I am perfectly safe in saying that the cash grain has been handled, after it reaches Fort William at a smaller margin than was allowed by the Canadian Wheat Board. I know personally that tens of thousands, yes, hundreds of thousands, of bushels of western grain have been bought at Fort William and distributed to the buyers east of the Lakes for commission of one-half cent per bushel covering both ends, or one-quarter cent per bushel for the Winnipeg buyer, and one-quarter cent per bushel for the eastern distributor, so there certainly is no room for any saving to be effected in this respect. In fact, so keen is the competition that eastern officers of Winnipeg handlers are being closed up because they are losing money.

There then remains the export market for cash wheat. The United Grain Growers have their own office in New York, and so have other Winnipeg grain firms, as well as export offices in Montreal. Besides which the Great Scottish

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Co-operative Society of Scotland had their own offices in Winnipeg, and other great importing houses in the U.K. and Europe had close affiliations with exporting houses in Winnipeg and New York. With the competition which you must take for granted exists between all these agencies, especially as we understand the late chairman of the Wheat Board has now the chief agency to sell the grain of the Saskatchewan Co-operative, I think we can safely conclude that there would be no opportunity to make \$25,000,000 or even a tithe of this amount additional for the farmers of the export business.

(11) *Option Market*.—There then remains only to be considered the claim that the operation of the option market causes a loss to the farmers of Canada of \$25,000,000 on their crop. Speaking from my own personal experience, and dealing in the future market on my own account, and also in executing orders for clients who are not either millers or in the grain trade, and in many other instances where they were engaged in the milling or grain and were supposed to know considerable about the values of wheat that more money has been lost through the option or future market than has been made. My experience is that Canadians, at least, are almost invariably buyers and not short sellers, so in this way they would be buying in the Winnipeg market and thus supporting the price of wheat instead of depressing it, as is alleged by Mr. Woods.

An Hon. MEMBER: Will you please explain that?

Mr. WATTS: I shall be glad to answer any questions that hon. members may desire to ask, if it is in my power to do so. I am a broker. A doctor, or a lawyer, or a grocer gives me an order to buy 5,000 or 10,000 bushels Winnipeg May wheat. Canadians do not like to sell something they have not got. They want to buy. They want to have something tangible in their hands, so they buy. They give me an order to buy 5,000 or 10,000 bushels May wheat because they think it is cheap. I buy it, and the result is that somebody has to sell it.

An hon. MEMBER: What is May wheat?

Mr. WATTS: No. 1 Northern Manitoba wheat that must be delivered during the month of May at Fort William. No. 2 Northern can be delivered at three cents less, and No. 3 Northern at seven cents less. If I buy 5,000 or 10,000 bushels of May wheat to-day at \$1.35 (which it touched yesterday) somebody sells me that, and the fact of my buying that wheat has a tendency to bid wheat up, because if I am ordered to buy it I keep bidding it up and up until I get it, which results in putting up the price of wheat.

An hon. MEMBER: And the lawyer or the doctor or the grocer has no idea of taking delivery?

Mr. WATTS: No; he is buying because he thinks it is cheap.

Mr. SALES: You stated that the Canadian people would rather buy than sell?

Mr. WATTS: Invariably that is my experience.

Mr. SALES: Then who do you buy it from? Who is the seller when you buy?

Mr. WATTS: In some cases it is the farmers, especially in the early part of the season. The farmer thinks the price is a good big one. In May, June or July, or even in the month of August, he says: "I have a growing crop of 5,000 or 10,000 or 15,000 or 20,000 bushels of wheat. The price it is selling at to-day is a big one. When the United States crop comes on the market the price is going to go down. Therefore I am going to sell half my crop." He then goes to a broker in Winnipeg and says: "Sell 5,000 (or 10,000) bushels for me for October delivery," at such and such a price.

Mr. SALES: I venture to say, Mr. Chairman, that that is not a correct statement of the situation, because for every man who is wise enough to sell in advance there are nine hundred and ninety-nine who never do so. If a farmer speculates at all with his wheat he generally sells his wheat and buys on the option. I have met very few

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people who have sold wheat in advance of cutting. They are always afraid they will not be able to deliver when the option comes along. Last year men were selling our wheat at \$1.64 in July, and I do not know a single farmer that sold wheat in July at that price.

Mr. WATTS: I did not say that that was general with the farmers, but I do know farmers that do it, and I have known farmers that sold it and, unfortunately, their crop did not turn out to contract grade, and they had to buy in.

Mr. SALES: That is what they are afraid of.

Mr. WATTS: Yes: But that does not alter the fact that they are in a position to sell it. The other people that sell it are, unquestionably, speculators. There are only two classes of people in a position to sell, the farmer who owns the wheat, and the speculator who does not own it.

Mr. BOYS: Are not nine-tenths of these sales fictitious?

Mr. WATTS: Oh, no; not fictitious.

Mr. BOYS: On paper, I mean?

Mr. WATTS: They are all contracts that are bound to be filled.

Mr. GARLAND: Do they intend to take delivery?

Mr. WATTS: No, not all of them. I can tell you of cases where they do not. I can tell you of cases where there are sales made with no intention to make delivery. I have in my mill—I have no mill, but this is an illustration—10,000 or 15,000 or 20,000 bushels of wheat that I bought from the farmers, and the price has gradually worked up. Unfortunately, however, the price of flour does not go up nearly as quickly as the price of wheat. (Laughter.) That is quite right, gentlemen; there is no question about it. I am here to state the whole facts as I know them, and it is for you to form your own conclusions. What happens? I bought this wheat from the farmers and the market has run up and the price of flour has not gone up. I have no confidence that the market is going to stay up. Some miller wants to buy some wheat. I cannot ship my wheat to a miller where the freight rates are against me, but I can sell it in the wheat market. The miller buys it, and I sell it. If the price of wheat does not go down I have to buy that wheat and give it to him. If the price of wheat does go down, then when the time comes, I have again got to buy that wheat and give it to him, but I have my own wheat here that I can sell at a lower price, because I have made the difference.

Mr. MILLAR: Is that brought about by negotiation between the other party and yourself?

Mr. WATTS: It is brought about by orders placed on the option market. A man called me up last Friday and said: "I have a lot of wheat and flour here, and there is absolutely no demand for it anywhere that I can find, and I am going to lose money if this market continues to go down. What am I going to do about it? Shall I sell against it?" I said: "My own opinion is that the market is going to go up a little; it will revive." But that is only one side of it. When I come to the other side you will see there is a very, very important part played by the option market in placing your crops.

Mr. McMURRAY: Do you know to what extent the farmers participate in that option market? An hon. member has apparently challenged the assumption that the farmers' sales take place in the option market.

Mr. WATTS: No; but that they took place to any great extent in the option market.

Mr. McMURRAY: As a matter of fact, they do not.

Mr. WATTS: I have seen the Gallery in Winnipeg crowded sometimes.

Mr. McMURRAY: You referred to lawyers and doctors and grocers?

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Mr. WATTS: I did; they are speculators. The farmer has the actual stuff; he is not a speculator.

Mr. SALES: You spoke of the Gallery in Winnipeg. How many persons will that Gallery hold?

Mr. WATTS: A Winnipeg man could tell you better than I can.

Mr. CRERAR: I suggest that we permit Mr. Watts to finish his statement so that members of this committee will have the opportunity of reading it later on. After Mr. Watts has concluded his statement we can ask questions if there is any time to do so.

Mr. WATTS: (Continues reading).

There remains then the big speculators and it seems to me that instead of abolishing the option market, which I think I can show you shortly performs a very necessary duty in the handling of the Western wheat crop, that some method should be evolved by which any bad features in it might be eliminated and the good features retained. It has been suggested that this might be done by not permitting any one to sell in the future market in Winnipeg unless he actually grew or had bought the grain which he was selling. In this way the operator would first have to become a buyer of the Western grain before he could sell it. This, of course, would not prevent the exporter or a miller selling wheat or flour to Europe before he bought the wheat, if he wished to do so, but it would enable him to buy wheat for future delivery when he made his sale weeks or months before the grain or flour was to be shipped, and some protection of this kind is absolutely essential if business is to be done at close margins and at small cost to the producer.

The other method to save money for the Western producer was to hold back the grain and feed the market. It is manifestly misleading to base any general conclusions on the figures supplied by Mr. Robinson of the inspections and value of wheat for the months of September, October and November 1921, as in 1921 the U.S. Wheat crop amounted to 795,000,000 bushels and Canada's crop 330,000,000 bushels and on the 1st of September 1921 No. 1 Nor. was \$1.59½ in store Fort William while Chicago September was \$1.25¾ or about 34c. per bushel under Winnipeg wheat. This premium of course was partially accounted for by the premium on U.S. money, but I see by our Weekly Bulletin to our members of August 26th a reference to Manitoba cash premiums which will show it was owing to the scarcity of cash wheat at the end of the season that caused the very high prices of Manitoba wheat. The paragraph is as follows:

"The fluctuations in cash premiums during the past week, has been very great, especially for spot No. 1 Nor. which this week sold as high as 47c. over October in store Fort William, no less than 25,000 bushels being bought by one party on this basis.

To show you that these enormous premiums are only paid because the buyers must have the wheat and not because it is really worth the money, the buyer of the above sold about the same time, 5,000 bushels No. 1 Nor. at 25c. over October, or 22c. less than he paid for delivery in fifteen days.

No. 1 Nor. sold at one time 13c. over No. 2 Nor. during the week while to-day it is only quoted 3c. over No. 2 Nor. and No. 3 Nor. is quoted at 8c. under No. 2 Nor.

The Winnipeg options have been advancing the last few days in sympathy with Chicago, but to-day advanced on heavy rains in the West although Chicago declined. A few days of fine weather will no doubt cause Winnipeg again to decline in sympathy with Chicago."

Mr. WATTS: That was the substance of my Bulletin on August 26. (Continues reading):

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Then again on September 2, I find the following paragraph: "The outstanding feature in the prices during the past week has been the big drop in cash premiums at Fort William, the price of No. 1 Nor. having declined 30c. per bushel in the week." As we had a very early harvest last year the deliveries of new wheat affected the price earlier than usual. In this connection it must be borne in mind that it costs at least 10 per cent on the value of the wheat to carry the wheat even on the farm from August one year to August of the next. In fact, I doubt if 10 per cent will pay the cost when you take into consideration the interest, insurance, natural shrinkage, rattage, waste, etc., and as No. 1 Nor. was \$2.81½ on September 1, 1920, the farmer or dealer who carried that wheat to September 1, 1921 lost over 40c. in carrying charges, besides a drop in prices of about \$1.20.

But both in September 1920, and in September 1921 we were starting on unnatural conditions. Wheat being at abnormally high prices, owing to depleted stocks all over the world and deflation was bound to come as sooner or later we had to get back to normal conditions. In this process every one doing business and carrying stock of every kind suffered, the millers and every other man in business in common with the farmers. There is this one difference, however, that the farmers received the benefit of the advance in prices which was denied the millers by the Wheat Board, and while undoubtedly the farmers have had a very hard time of it, not only in Canada but in the U.S. and Great Britain owing to the fall in value they have had the reverses built up by the advance in prices to draw upon, which the millers have not had. The result has been that we have had in Ontario, one of our oldest and most highly respected milling companies, go to the wall during the past year, the Canada Flour Mills of Chatham, in the heart of the best wheat district of Ontario. Mills have been sold in the past two months for less than half what they sold for ten or fifteen years ago, in fact, at one third, notwithstanding that the cost of buildings and machinery are still much greater than they were before the war, so the farmers are not alone in being up against hard times.

*New Crop Wheat.*—As mentioned above, old crop wheat, on account of the additional cost of carrying it alone, should sell ten per cent higher than new crop wheat but frequently on account of the scarcity of old crop wheat and the big demand for wheat, the new crop that is early marketed sells at old crop prices and this is the case with the September wheat used by Mr. Robinson as an illustration, the gradual decline in prices taking place as the requirements of the markets became more fully supplied. To illustrate this more clearly and to show the competition our western wheat has to meet in the markets of the world, I have prepared a map and wish to direct your attention to the harvest of 1921 as shown thereon:

	Bushels.
Kansas, reaped in June.....	128,000,000
Nebraska, reaped in July.....	58,000,000
Minnesota, reaped in August.....	24,000,000
South Dakota, reaped in early August.....	25,000,000
North Dakota, reaped in August.....	73,000,000

I have also shown the yields of Manitoba, Saskatchewan, and Alberta as follows:

Manitoba, 39,000,000; Saskatchewan, 188,000,000; Alberta, 53,000,000.

Mr. WATTS: I would like to draw your attention to the time of harvest, as indicated on this map: Kansas in June, Nebraska in July, South Dakota in early August. North Dakota and Minnesota in August—Minnesota, of course, so far as the southern portion is concerned, reaping in early August; and you all know better than I do when our crops come in. (Continued reading).

[Mr. C. B. Watts.]

As the Kansas wheat is largely of the variety known as Hard Winter, and as the Turkey Red, which some years ago the Dominion Millers' Association brought in a number of carloads for seed to try and improve the Ontario wheat was found to make as good flour as Manitoba No. 1 Northern. The Minneapolis mills also used a large percentage of this Kansas wheat so you see this comes in direct competition with the Manitoba Hard Wheat in the market of the world. This is harvested in June, and, as you see South and North Dakota and Minnesota, where the Hard Spring Wheats are grown, harvest their crops several weeks before we do in the North West. This places them in a position to sell wheat and flour to European buyers many weeks earlier than Canadian wheat or flour can be supplied from the new crop. You must bear in mind that the European buyers must place their orders several months ahead in order that the supplies may reach them to fill their requirements.

Accordingly the exporter must sell the European buyer new crop wheat several weeks or even months before the wheat is actually matured, let alone harvested. If the Winnipeg exporter did not do this, the exporters of Kansas and Minnesota and Dakota wheat would fill up the European markets, and when our Manitoba wheat came on the market in September, there would be no demand for it and it would be a drug in the market and the drop in price complained of by Mr. Robertson would, in all probability, be much greater the beginning of September, than it has been in the past, spread over several months.

Mr. WATTS: That is one of the things that members of this committee should grasp. It is a most important factor in the marketing of our Northwest crops. I am going to repeat myself, because this fact is of such vital importance to the western grain-grower. He has to sell this year in competition with not only a very large proportion of that 128,000,000 bushels which was harvested in Kansas in June, but also with the 58,000,000 bushels in Nebraska in July, the 24,000,000 bushels reaped in Minnesota in August, the 25,000,000 bushels in South Dakota in early August and also the 73,000,000 bushels in North Dakota in August, all of which was harvested before his. The European buyer has to place his orders months ahead in order to be sure of getting his wheat over there. There are many delays in the handling of wheat and flour to the seaboard. It may start off all right, but it may not reach there. If it does reach there, the boat that has been chartered may be delayed or may encounter trouble on its way across the ocean; so that the European buyer cannot buy from hand to mouth, but must buy ahead. Europe buys ahead not days nor weeks, but months, especially when it comes on to the new crop season, because Europe can buy Kansas wheat in June when Manitoba wheat is a year old and has incurred that 10 per cent of charges that somebody has to pay. Now, unless our wheat was sold before it came on the market in September, and there was somewhere to put the wheat in October when its delivery in large quantities takes place, it could not be sold at all. But by the system of selling ahead (which no man can safely do unless there is an option market) we are enabled to handle the crop and keep it moving forward and avoid blocking the channels of trade. (Continues reading):

(14) *Marketing Conditions*.—Not only has this an important bearing on our time of harvest, but on the movement of our crop, as a large portion of our Western crop must in necessity be rushed down to the head of the Lakes and moved East to the sea board before the close of navigation, as owing to severe weather, or for the lack of foreign demand, or both, there is probably only 15 per cent of the quantity new crop shipped before the close of navigation that moves out all rail during the winter months.

Mr. WATTS: That is, during the winter there is only 15 per cent that moves out by rail as compared with the quantity that moves out before the close of navigation, because the market is filled up largely, and also because of the difficulties in

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moving by all rail. So you can see the absolute necessity for moving a large portion of the crop during the early months of navigation; that is, during October, November and on to the middle of December. (Continues reading):

Having faced these facts it is very questionable whether it would be a profitable operation to hold the Manitoba crop back and feed it out as is advocated by Mr. Woods and Mr. Robinson, especially when you face a carrying charge of considerably over 10 per cent a year if carried in public warehouses.

Mr. WATTS: Then again you have to bear in mind that after the 1st January you have to face the crops produced in the Argentine and in Australia. I grant you that the quality of the new crop coming on the market is not equal to our own crops. Our crops are very valuable for mixing purposes, but if the price is too high there is other wheat to take its place. Therefore, if you hold back you are going to meet the competition not only of the remainder of this crop, but the new crops grown in Australia, Argentina, and other parts of the world. (Continues reading):

(15) *Re-establishment of Wheat Board*.—Is it the intention of the advocates of re-establishment that the board shall not sell any wheat till it is delivered to them by the farmers for sale?

Or are they to speculate and sell ahead and buy in Minneapolis and Chicago to protect themselves, or are they simply to speculate and sell ahead without protecting themselves?

Mr. WATTS: If I am re-appointed to the Wheat Board, I would like the advice of the members of this committee on these matters.

An hon. MEMBER: What did you do before?

Mr. WATTS: We knew it would come sooner or later, and we sold.

Mr. SALES: Would not that situation again exist if we had a Wheat Board with a compulsory feature? That Wheat Board would know it was going to get the wheat, but under a voluntary system it would not know.

The CHAIRMAN: I think we had better permit Mr. Watts to conclude his evidence. He will attend our next meeting, when opportunity will be afforded for putting questions to him.

Mr. WATTS: (Continues reading):

In any case if they sell ahead are they not selling short and doing exactly what they are trying to prevent being done in the future or option market?

If they do not sell ahead what are they going to do with their wheat when it is delivered to them if the foreign buyers are all filled up? These are practical questions which must be met as it is impossible to change the trading conditions which have existed in Europe for many years and in all other parts of the world, no matter what the producers may wish, whatever this committee may be able to do with the local marketing conditions in Canada.

(16) *Real Remedial Proposals*.—There are certain conditions which exist that our association believe, if removed, will do more for the prosperity of the western producer than the proposed remedies of the Council of Agriculture and will be of permanent benefit instead of being only a temporary measure. The demand of the western members for the appointment of a Royal Grain Inquiry showed plainly that something was sadly amiss in the present methods of marketing and handling our western wheat crop. The inquiry showed, that in some instances at least, the western farmer was being practically robbed of a large portion of his hard-won earnings in the spread that was taken in numerous instances between the street price and the value of the wheat on track,

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the same day based on the cash price at Fort William. According to report the evidence showed that, 25 cents, 30 cents, 35 cents and as high as 42 cents per bushel was found to have been charged or deducted by the country elevators between what they paid the farmer for his load and the value of that same wheat on track at the country elevator. This is nothing less than a crime, and this committee should immediately, if it is within its power, arrange with the Dominion Parliament to pass legislation fixing the maximum spread between street price and cash price 5 cents per bushel on the contract grades of wheat, the same as the old Wheat Board did.

This is not, by any means, the only way in which the western farmer is injured. In our opinion the so-called hospital elevators or private elevators which are practically nothing but mixing houses, are doing infinitely more harm to the western producers than any other single agency, excepting possibly the above.

We believe the Royal Grain Commission should be at once established to look into these and kindred matters affecting the grain trade, and the report brought in at this session, if possible, and remedial legislation passed. In fact, the matter is important enough in our opinion to have Parliament adjourned a sufficient length of time to permit the report being made and pass the necessary legislation before the crop starts to move in volume next September.

Just one illustration—Under the rules of the Winnipeg Grain Exchange, No. 2 Northern is tenderable on the option at 3 cents per bushel under No. 1 Northern, and No. 3 Northern at 7 cents under No. 1 Northern. These are the normal differences in value of these grades spread over a great many years. The spread today between No. 1 Northern and No. 2 Northern is 5 cents per bushel, but between No. 3 Northern and No. 1 Northern is 13 cents per bushel, and has been as much as 15 cents per bushel, instead of 7 cents per bushel. For this enormous spread the Canada Grain Act is primarily to blame in that the description of No. 3 Northern wheat is simply as follows: "Any wheat not good enough to be graded as No. 2 Manitoba Northern shall be graded No. 3 Manitoba Northern in the discretion of the inspector." No. 2 Northern shall be sound and reasonably clean, of good milling qualities and fit for warehousing, weighing not less than 58 pounds to the bushel, and shall be composed of at least 45 per cent of hard Red Fife wheat. You will see there are certain specifications for No. 2 Northern wheat, also No. 1 Northern and higher grades.

The grades of No. 4, No. 5 and No. 6 wheat are made by the Western Standard Board, of which the Minister of Agriculture and myself are members, and the inspectors are bound to inspect these grades, according to the standards set by that board. In the case of No. 3 Northern it is left "To the discretion of the Inspector," with the result as recorded above. Now let me draw your attention to the U.S. requirements—No. 3 Hard Red Spring Wheat to weigh 55 pounds. (Winchester which is equal to 57 pounds Imperial to the bushel), and contain not more than 15 per cent of moisture, etc. That mixing houses have a detrimental effect on the value of Western Wheat is, we hold, conclusively shown by the fact that the Western Export Company refuse to take over wheat from the Board of Grain Supervisors from mixing houses unless they were allowed a discount of 3 cents a bushel. Also the Wheat Board maintained an Inspector of their own at Fort William to sample all the wheat that the Wheat Board were shipping on their own account, to see that the wheat they shipped to their customers, was up to grade, as they were not satisfied to accept the Inspection of the Government Inspector as final.

*Complaints of Export Grain.*—On January 31, we called the attention of the hon. Mr. Motherwell to very serious complaints of New York exporters, concerning the quality of No. 3 Northern Canadian Inspection. They claimed

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that the foreign buyers gave preference to Seaboard Inspection and would pay more money for it than Canadian Government Inspection. Again on March 30 New York exporters said Europe was complaining bitterly about the No. 3 Northern Wheat received and they expressed the opinion that it would have a very detrimental effect on the sale of Manitoba Wheat in Europe if this inferior quality No. 3 Northern continued to be supplied under Canadian Government Inspection. There are numerous other questions, such as overage, dockage, shortage, overage or surplus in elevators, that the Royal Grain Inquiry could and should deal with immediately and which would result, no doubt, we believe, in far greater benefit to the producer than any possible Wheat Board.

(17) *Lake Freights.*—Let me again draw your attention to this map for a moment. You see this 7 here about Lake Ontario. This signifies that the freight on wheat now asked for the boats is 7 cents per bushel from Port Colborne to Montreal, and it takes six days for a boat to make the round trip, and seven cents is less than the average rate charged last year. The through rate from Fort William to Montreal for the opening of navigation is 10½ cents. This would leave 3½ cents per bushel from Fort William to Port Colborne which would take nine days for the round trip. Three cents per bushel would be a reasonable charge for taking grain from Port Colborne to Montreal as against 3½ cents from Fort William to Port Colborne, but the charge, as seen on the map, is 7 cents per bushel, or deducting 3 cents there would be 4 cents per bushel saved to the producer if his wheat were carried from Port Colborne to Montreal at the rate it should be carried at. Of course, I know that the vessel men claim that they can get equal to 7 cents per bushel to carry coal or something else from Lake Erie ports to Montreal, but that does not alter the fact that the charge is an outrageous one.

Over \$30,000,000 has been spent in deepening the Welland Canal, and it is conservatively estimated that it will cost over \$30,000,000 more to finish it. My suggestion is that not another dollar should be spent on the Welland Canal as the United States propose to make it part of the deep water-way scheme, and Canada has already spent her half on the Welland Canal. The interest at 6 per cent on \$30,000,000 would amount to \$1,800,000 per year. The greatest quantity of Canadian grain shipped through the Welland Canal, was I believe in 1913—1,128,324 tons or equal to nearly 35,000,000 bushels. There was also 544,241 tons of freight shipped through Port Colborne from Montreal. In 1914 we submitted to the Dominion Government a proposal that instead of deepening the Welland Canal they should buy eighteen full canal-sized steamers, costing \$135,000 each, total \$2,430,000. Each would carry eighty-five thousand bushels of wheat or 2,550 tons each trip, Port Colborne to Montreal and return. Say twenty-four (24) trips in a season of 220 days, could carry 36,720,000 bushels of wheat east and 1,101,000 tons of freight west.

The eighteen boats would carry 1,810,000 bushels more wheat east and over twice as much freight west from Montreal than passed through the Welland Canal in 1913, which was the largest traffic since the canal opened to that date. The total cost of running such steamers was \$160 per day depreciation included, and for 220 days would be 633,600 a season, if you carry all the grain eastbound and westbound traffic free. Vesselmen state that the present canal will take care of three times the traffic which has ever passed through it, so further increase in traffic could be provided for by buying additional ships. With present depressed conditions in shipping circles, I would not be surprised if steamers could be bought as cheaply as in 1914. It would undoubtedly cost more to operate them, but even if you doubled the charges given above, it would only total \$1,267,000 for the season, or practically 50 per cent less than the annual interest required to complete the Welland Canal, even if all the grain eastbound, and the westbound traffic were carried free.

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Here is another practical method of positively helping the western wheat grower, because the saving in the freight would mean that much more in the farmers' pockets, not only on the wheat which would actually go through the Welland Canal, but the competition would bring about a great saving on the wheat carried via all other routes.

(18) *The Coming Crop*.—Both Mr. Wood and Mr. Robinson have told you that the western farmer would curtail his sowings if the Wheat Board is not re-established, and I see by the press that the Minister of Agriculture of Saskatchewan is coming down to support their request. There is no question of equal importance to-day to the prosperity of the western farmer, and of the whole of Canada, than that of the western farmer sowing every acre of wheat that he can possibly sow for the western crop of the coming season and no greater service could be performed by these gentlemen than to give them every encouragement to do this as their greatest hope of recouping their past losses and placing themselves once more in a satisfactory position.

Let me put before you for a moment the position of the western farmer to-day. He has his land. He has his implements. He has his horses, and he himself has waited during the long winter months for seeding time to put in his crop. Much the largest portion of his investment to harvest another crop has already been made and, if as these gentlemen state, the farmer curtails his acreage, what does he save? He saves absolutely nothing except the seed and his own time which is valueless to him unless he makes it productive on the farm. If he has to buy seed or hire additional help to put in the large acreage, this would be his only outlay until the time of harvest and I believe, although I am neither a prophet nor the son of a prophet that Providence would return that outlay a hundredfold.

Mr. WATT: There is nothing so important to the prosperity of Canada to-day as having every acre of our Western land planted that can possibly be planted in any way, shape or form. (Continues reading):

Let me draw attention to one or two facts. Just last week press reports stated that a most bountiful snowfall has covered Southern Alberta and only a few days ago, I had a wire from Jas. Stewart stating they had a magnificent snowfall over the west and it was still snowing. Thus, it looks as if Southern Alberta was blest with moisture that she has not enjoyed at this season for several years. Then again, this is the spring of 1922, and we may fairly look for a repetition of our great crop of 1915 which is due in the cycle of seven years.

Mr. WATTS: Scientists have been studying this question and have discovered that we have a cycle of seven years. I sincerely trust that this is one of the seven years, and I believe it is so far as the Northwest is concerned. (Continues reading):—

Just as in the time of Pharaoh seven years was a period of good crops and lean crops, it is found that a period of seven years brings a return of similar conditions. Aside from this, we have the United States Government crop reports issued last week, which reports a condition on the 1st of April as 65 per cent abnormal. This condition is the next lowest in the last ten years and is 25 points below the April condition a year ago and 16 points below the ten years' average.

The significance of this is seen by a glance at the map. Kansas yield: last year, 128,000,000, and in 1920, 137,000,000; in 1919, 150,000,000; in 1918, 102,000,000, when the condition on the 1st April was 67; in 1917, 46,000,000, and the condition in 1917 in April was 45. As pointed out, Kansas Hard Winter Wheat is next to the Hard Spring Wheat in the Northwestern States, Manitoba's greatest competitor, and with a condition 16 points below the ten

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years' average, and the next lowest in the past ten years, the Northwest wheat crop should command a better price than for many years back.

I would I had the tongue of Sir Wilfrid Laurier, or Sir John Macdonald, or even the Hon. Mackenzie King or the Right Hon. Arthur Meighen, with which to appeal to Messrs. Wood, Maharg, Hamilton, and Crerar, and of every Western members, too, at this crisis play the part of statesmen and use every means in their power to induce the Western farmer to cultivate every acre of land, to sow every bushel of wheat that it is in their power to do regardless of whether the Wheat Board is created or not. It is the one possibility, and the outlook a favourable one, for their constituents to place themselves in a better financial position and to help the return of Canada to prosperous times. If they can afford to hire help which under present conditions can no doubt be secured at a minimum wage during seed time at least, they will not only be helping themselves but helping to relieve the many unfortunate who are out of work. Let these gentlemen prove themselves real statesmen and spend the Eastern adjournment in securing the planting, by every means in their power, the largest acreage of wheat possible in our Northwest.

This Committee should not apply a doubtful remedy of only temporary efficiency which would be like a bran or even a bread poultice to a patient when what is required is a surgeon's knife, and the Private Mixing houses cut off the Hospital Elevators only allowed to do Hospital work, and their product labelled accordingly, and if Parliament has the power it should establish a spread not exceeding 5 per cent between the street price and track price for wheat, and if it has not the power, it should get the Provincial Legislature to pass the necessary legislation concurrently with the Dominion Parliament, so the farmer can really be helped out of his difficulties.

Mr. CRERAR: I take it that you are opposed to the re-establishment of the Canada Wheat Board?

Mr. WATTS: As compulsory, I am, yes. I am strongly in favour of it as voluntary. If anything can be done to help the Western farmers we are only too anxious to do it, but we do not believe it can be made compulsory satisfactorily. I believe that immediately a compulsory Board is appointed steps will be taken by way of injunctions or other legal means to oppose it, such as were taken to stop the Royal Grain Inquiry. I believe this Committee can, by remedying the evils which they have it in their own hands to remedy through Parliament, save an immense amount of money to the farmers. I am very glad that question was asked. If this Parliament has not the power—and I doubt if it has, because it is interfering with personal rights and property—to make legislation by which the spread between the contract price and the street price is only five cents per bushel as fixed by the Wheat Board—and as a member of that Board I believed that was a fair spread, and that spreads of thirty cents to forty cents are a crime—then Parliament should get that power, and you should go to the Legislatures in the West and get them to pass concurrent legislation so that the farmer will not be robbed in that way. There are other evils that exist all along the line that should be remedied before the next crop comes.

An hon. MEMBER: The mixing is wrong?

Another hon. MEMBER: It is chiefly mixed with the American grain?

Mr. WATTS: No, the United States Inspection Act is much more stringent than ours.

An hon. MEMBER: A year ago we had a visit from a gentleman who represented the British Government in Australia, and he said that the inspection of Canadian grain was much superior to either the British or American inspection.

Mr. WATTS: What he states is absolutely true prior to the last two or three years. During the last two or three years the United States has changed its system of [Mr. C. B. Watts.]

inspection. Previously, each state carried out its own inspection. Now there is Federal inspection. If you desire to do so, you can call the exporters from New York and get their own evidence on the subject.

HON. MR. CRERAR: If what you say is correct in respect to the Canadian inspection system, is that the fault of the law or the fault of the administration?

MR. WATTS: In the first instance, it is the fault of the law because, as I pointed out, No. 3 Northern can be graded in the discretion of the inspector.

HON. MR. CRERAR: This condition did not exist a few years ago?

MR. WATTS: No.

HON. MR. CRERAR: The law was the same a few years ago.

MR. WATTS: Then I think it is the interpretation of the law by the inspectors that is at fault. I have no doubt—in fact, I have for years been convinced from my experience on the Standard Board—that every endeavour is made by everybody in connection with the inspection of grain to meet the conditions that exist in the West from year to year. Mr. Motherwell (the Minister of Agriculture) knows that perfectly well. I know that the Chief Inspector in Winnipeg has made every endeavour to meet what he believes to be the conditions in the West in trying to inspect the crop as high as possible. This year there has been a great deal of sprouted wheat in the West, and the prospects of the crop were spoiled by rain, but the inspector has used his discretion in an endeavour to get a higher price for the unfortunate growers of that wheat. The markets of the World, however, do not buy paper—as I told this Committee years ago—but buy quality. After one or two shipments they know what they are going to get, and fix their prices accordingly. The result is that where the spread last September was only eight cents per bushel between No. 1 and No. 3 Northern it has since been fifteen cents per bushel.

THE CHAIRMAN: It is evidently the desire of the Committee that further questions be postponed until the next meeting.

AN HON. MEMBER: Mr. Watts has read very largely from some communications. Will those all be incorporated in our records?

THE CHAIRMAN: Yes.

MR. WATTS: I have several copies of my Summary of Evidence available if any hon. members would care to have them to read during the recess.

THE CHAIRMAN: The evidence will be printed in due course.

I would like to read the report of your sub-Committee with reference to subsequent meetings:—

Your sub-Committee beg to recommend that representatives of the following firms and associations and others be heard by this Committee on the days specified:

Thursday, April 20: Messieurs Watts and Rice, and also the Grain and Flour section of the Toronto Board of Trade.

Friday, April 21: The Minister of Agriculture of the Saskatchewan Government.

Monday, April 24: Canadian National Millers' Association.

Tuesday, April 25: Winnipeg Grain Exchange.

Wednesday, April 26: Messieurs F. W. Riddell and James Stewart of the former Wheat Board.

What is your pleasure with regard to this report?

Report adopted.

[Mr. C. B. Watts.]

In connection with the question raised by Mr. Boys as to the right of a member of the House of Commons not a member of the Committee to attend the Committee and enter into a discussion, I desire to quote from Bourinot on Parliamentary Procedure (4th Ed. p. 469):—

It has been decided that 'a member who is not a member of the Committee has no right whatever to attend for the purpose of addressing the Committee, or of putting questions to the witnesses, or interfering in any way in the proceedings.'

The Committee adjourned at 1.25 o'clock p.m. until 11.00 o'clock a.m. on Thursday, April 20, A.D. 1922.



SELECT STANDING COMMITTEE

JACKMAN

ON

# AGRICULTURE AND COLONIZATION

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## Minutes of Proceedings and Evidence

No. 4--THURSDAY, APRIL 20th, 1922

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Mr. C. B. Watts, Secretary Dominion Millers' Association.

Mr. H. L. Rice, of the Executive of the Dominion Millers' Association.

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## MINUTES OF PROCEEDINGS

The Committee met at 11 o'clock a.m., present: Messieurs Kay (in the Chair), Andrews, Arthurs, Baldwin, Bowen, Brethern, Brown, Caldwell, Campbell, Caruthers, Chew, Clifford, Denis (St. Denis), Dickie, Duncan, Evans, Fafard, Fontaine, Forke, Forrester, Garland (Bow River), Gendron, Good, Halbert, Hatfield, Hubbs, Hunt, Jelliff, Johnson (Moose Jaw), Jones, Kennedy (Glengarry and Stormont), Knox, Lafortune, Leader, Leger, Lovett, Lovie, Lucas, MacKelvie, McConica, McCrea, McKay, McKillop, McMaster, McMurray, Malcolm, Maybee, Millar, Milne, Morin, Morrison, Morrissey, Motherwell, Munro, Neill, Papineau, Pritchard, Rankin, Raymond, Sales, Senn, Sexsmith, Simpson Sinclair (Oxford), Spence, Stansell, Stein, Stevens, Sutherland, Thompson, Thurston, Tobin, Tolmie, Warner, Wilson, Woods-worth.

The Chairman submitted a letter from the Deputy Minister of Agriculture requesting that this Committee nominate one of its members to the Advisory Board in connection with the Commercial Feeding Stuffs Act.

On motion of Mr. Tolmie, Resolved that the Chairman be nominated as such member.

It was ordered, at the suggestion of the Chairman,

"That, beginning with this meeting of the Committee, all evidence would be given under oath."

Also ordered

"That, the printed evidence of previous witnesses be forwarded to them by the Clerk and they be requested to attest the same under oath."

Mr. C. B. Watts, Secretary of the Dominion Millers' Association, was recalled, sworn, examined, and discharged from further attendance.

Mr. H. L. Rice, of the Executive of the Dominion Millers' Association, who was in attendance, was sworn, examined and discharged from further attendance.

Committee adjourned till Friday, April 21, at 11 o'clock a.m.

ARTHUR GLASIER,  
*Clerk to Committee.*

COMMITTEE ROOM 424,  
HOUSE OF COMMONS,  
THURSDAY, April 20, 1922.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock a.m., Mr. Kay, the Chairman, presiding.

The CHAIRMAN: The Committee will please come to order.

Gentlemen, before we proceed with the evidence of Mr. Watts this morning, I wish to read a letter from the Deputy Minister of Agriculture, Mr. J. H. Grisdale,



with reference to the representation of this Committee on the Advisory Board under the Commercial Feeding Stuffs Act:—

"W. S. KAY, Esq., M.P.  
House of Commons,  
Ottawa, Ont.

"Deputy Minister's Office,  
April 11, 1922.

"Dear Mr. Kay,—

"With further reference to representation of the Committee on Agriculture and Colonization on the Advisory Board under the Commercial Feeding Stuffs Act, about which I wrote you some few days ago, I would say that I have been thinking this matter over and it seems to me that the proper representative of the Committee on the Board in question is the Chairman. If you could see your way clear to acting in this capacity, I think that that would be the best way to settle the question of representation in this case.

"Yours very truly,

(sgd) "J. H. GRISDALE,  
"Deputy Minister."

I now ask the Committee to recommend that either the Chairman or some other member of this Committee be appointed to represent the Committee on the Advisory Board.

Dr. TOLMIE: I move that the Chairman of this Committee be appointed to represent us on the Advisory Board.

An hon. MEMBER: I second that.

Motion agreed to.

The CHAIRMAN: Gentlemen, I have been informed by the Chief Clerk of Committees that in his opinion the evidence adduced before us should be given under oath, and all future witnesses will be sworn. As to the evidence already taken, the only way in which it can be vouched for is to forward copies of the printed report to the several witnesses who have testified before us, with a request that they take an affidavit as to the accuracy of the report.

Hon. Mr. TOLMIE: The other day I think when we put in our request for a decision as to our powers with regard to reorganizing the old Wheat Board we added to that a question that in the event of getting a negative reply we wanted to know what our powers would be. Have you got a copy of the letter that was sent to the Department of Justice. Could that be read here?

The CHAIRMAN: No, I have not. What we had was a copy of the motion passed by this Committee.

Hon. Mr. TOLMIE: I was going to suggest that that request be made to the Department of Justice as soon as possible.

Mr. McCONICA: I think there was nothing in that resolution further than asking for a reasoned report.

Hon. Mr. TOLMIE: I think that would bring out the opinion we got.

The CHAIRMAN: I have not seen the opinion or the judgment of the law officers of the Crown, but I understand that they did say that voluntary pools would be legal. Would that cover your point?

Hon. Mr. TOLMIE: That is one of the things we wanted to know.

The CHAIRMAN: I would suggest perhaps we would take this matter up after we had an opportunity of digesting the opinion of the Justice Department.

Mr. WARNER: I move we go ahead with taking the evidence, and defer this for some little time at least, regarding the law officers of the Crown report connected with that.

The CHAIRMAN: We might perhaps take it up to-morrow.

## MINUTES OF EVIDENCE

Mr. C. B. WATTS: Called, sworn and examined.

Hon. Mr. MOTHERWELL: Are you waiting to be asked questions?—A. Yes sir.

Q. Where did you leave off?—A. I completed my statement. Really I completed all my statements. The last question that was asked me, I see according to the report, was in reference to the Spread between No. 1 and No. 3 Northern.

Hon. Mr. MOTHERWELL: When Mr. Watts was giving evidence the other day one or two questions occurred to me and as we have the representative of the Millers before us I thought it would be appropriate to ask him this question. A number of witnesses, Mr. Wood included, and, I think, Mr. Maharg took the ground that if we had the Wheat Board we would reap the benefit of approximately \$25,000,000 per annum, that is the farmers of the West, and that this would not reflect itself to any extent whatever, and I think Mr. Maharg used the word "appreciably" in one instance but the general impression was that this would not reflect itself on the price of flour, that is that the farmers could get \$25,000,000 more for their wheat than if they had no Wheat Board and nobody in Canada would have to pay more for their bread. I was wondering if the miller had some way of absorbing that or if it was possible to have it distributed among the millers in some way or whether the cost of handling it would amount to this \$25,000,000, because if the Government handled it a great many middlemen would be dispensed with. \$25,000,000 spread over an average crop of 250,000,000 bushels would amount to ten cents a bushel. Is there any way of getting ten cents a bushel more for our wheat through getting the Wheat Board without in any way reflecting itself on the price of bread?

Mr. WATTS: I am not a practical miller myself but probably Mr. Rice or Mr. Thompson could answer that more to the point. And I notice that a remark was made by Mr. Maharg—I happened to be in the room when he was giving his evidence and I just looked up in that connection the orders of the Wheat Board and I find that on the 15th day of November the price of Government standard—

Hon. Mr. MOTHERWELL: What year?

Mr. WATTS: 1919. I am speaking of the orders of the Wheat Board now, that we set a price on the Government standard, wheat flour at \$10.90 per barrel; winter flour at \$10.10 basis F.O.B. Montreal, 10 lb. jute bags. That was based on wheat at \$2.30 to the millers for No. 1 Nor. wheat at Fort William; at \$2.33 for No. 1 Winter wheat at Montreal. On the 27th day of November we raised the price of No. 1 Nor. wheat to \$2.80, that is a raise of 50 cents a bushel, and on the 27th of November, the same date, 1919, we raised the price of flour to \$13.15 per barrel or a raise of \$2.25 a barrel. The wheat you will notice was raised 50 cents, reckoning four and a half bushels, that makes \$2.25. \$2.25 a barrel, 4½ bushels at 50 cents a bushel. We raised the price of flour identical with the raise in wheat. Then again winter wheat was not raised at that time but winter wheat was raised a month later on the 31st January. We raised winter wheat at that time 35 cents and on the same day we issued this order that the maximum price, the selling price from midnight January 31, 1920, inclusive until further notice should be Government standard. Wheat flour no change. Government standard winter wheat flour \$11.25 per barrel. Before it had been \$10.10 or a raise of \$1.15. Wheat was up 25 cents. I should have said 25 cents, not thirty-five cents. 4½ bushels comes to \$1.12½. We raised it \$1.15 to make it even money. With each advance in price that same thing was done, not the last advance because we had decontrolled both the wheat and the flour before this took place but these are the facts of what was done with the Wheat

Board, but I think any gentleman will acknowledge that you cannot have raw material, whole wheat, and manufacture that into flour, because there is nothing to apply to it except the grinding and the labour, unless you get a corresponding advance in the manufactured article. Now in the case of flour, there is this little difference, that the product of wheat consists of flour and by-products and we have always recognized that if the by-products went up it would allow us to afford a reduction in the price of flour. If the bran and shorts went up we had to raise the price of flour.

Mr. HALBERT: Flour went up always whether the Wheat Board was in existence or not.

Mr. WATTS: I think I gave the reason for that in my former evidence. I said I think if there was any possibility of the growers being made better off by \$25,000,000 or by an appreciable portion of that amount without endangering anybody else, the millers would join in, but I don't see how it is possible in the handling of wheat in the West or in the East to save even a small fraction of it. As a matter of fact, as perhaps you will remember, the witnesses alleged that it would be done through the Option Market. That is one thing, as I pointed out, I cannot believe.

Mr. SALES: You stated that winter wheat was \$11.25 a barrel, and that no change was made on the 31st January, 1920, in the price of spring wheat. What was the price of spring wheat flour as of that date?

Mr. WATTS: The spring wheat flour was raised on the 27th December to \$13.15 from \$10.90.

Mr. SALES: And the wheat per bushel?

Mr. WATTS: It was raised on the same date 50 cents a bushel up to \$2.80.

Mr. SALES: Could you give us the price of spring wheat flour in October last year, and the price of wheat per bushel?

Mr. WATTS: No, I have not got that.

Mr. SALES: You are not able to give us that information?

Mr. WATTS: If you give notice of the question I think the Canadian National Millers' Association's witnesses, who will appear before you at a later date, may be able to give you that information. I do not think that anybody could give you that information without receiving notice of the question.

Mr. BRETHEN: The statement given by you quite agrees with the statement given by Mr. Maharg, that an increase of the price of wheat under the control of the Wheat Board brought forth a corresponding increase in the price of flour, but I think Mr. Maharg claimed that the \$25,000,000 might be saved to the producer out of control because the price of flour did not fall with the corresponding price of wheat.

Mr. WATTS: My experience during the last 30 years in the Province of Ontario is that the millers figure on what the wheat costs them from day to day as to the price they ask for their flour.

Mr. BRETHEN: That the flour does not fall to the same extent, proportionately?

Mr. WATTS: I cannot say how it is outside of our own Province of Ontario, and in Montreal, because that is where I know more about flour prices, but I have seen millers take the price of wheat from day to day at the close of the market, and figure the price of flour on the price of wheat.

Mr. SALES: Is it possible for you to secure the information I asked?

Mr. WATTS: No, my office is a wheat office, not a flour office; and we do not get any reports of the prices of flour.

Mr. SALES: Mr. Chairman, it is very important that we should have this information, because the complaint has been made time and time again that under the [Mr. C. B. Watts.]



Wheat Board a bushel of wheat would secure a sack of flour, and that during the past season, in October, it was taking five bushels of wheat to secure a sack of flour. I would like to know if that is correct.

Mr. CAMPBELL: There was a serious drop in the price of wheat between the month of July and the month October, and I am quite sure there was no corresponding drop in the price of flour.

Mr. WATTS: I think that your question is probably answered in this way: You say there is a drop in the price of wheat between July and October—

Mr. CAMPBELL: And the assumption is that a great deal of wheat was bought and sold on the July market, but the producer selling it only got the very small price in October, and that did not drop the price of flour.

Mr. WATTS: The situation is simply that the millers have to buy their supply of wheat in May and June, generally, to carry them through until the new wheat crop is available on the 1st October. The result is that the millers in Canada have to pay the May and June prices for their wheat that they make their flour from, from then until October, and their wheat costs them any price you choose to pay, \$1.25 or \$1.50 a bushel, and they cannot replace that in any way because they do not grind options, they grind cash wheat. Furthermore, as their wheat costs them \$1.50 a bushel, you would not expect to see any drop in the price of that flour until they could replace it with new wheat at \$1.25 or whatever the price may be. So there would be no corresponding drop in the price of flour from the middle of June until the new wheat was available across the Lakes or at Fort William in September or October. That is the reason why that state of affairs will exist.

But these gentlemen are not absolutely correct in their statements, because the millers know by experience that we have had to drop our prices in spite of the high price of wheat we are grinding, and I venture to say that during the last year or two the millers of this country have lost hundreds of thousands of dollars on the drop they had to make in the price of flour because they made it from high-priced wheat, and had to meet the competition of the world.

Mr. CAMPBELL: On that basis, the flour we are using now would be based on the October price of wheat. If my memory serves me correctly, flour has recently gone up in line with the price of wheat.

Mr. WATTS: The price of wheat has undoubtedly risen of late. I happen to remember making a little memorandum on a slip of paper of the October price of wheat, and I shall endeavour to find it. However, we are not grinding October wheat now. The wheat we are grinding now is wheat brought across the Lakes at the end of November and beginning of December. That wheat has carried the carrying charges ever since, insurance, freight and storage, besides being brought across the Lakes at high freights. The other wheat that has come all rail has been bought right straight along. The day before yesterday I bought 25,000 bushels of wheat to be shipped out from Fort William right away. We are not grinding October, November or December wheat but grinding wheat that was bought in January, February March and April.

Mr. McMASTER: Do not you ever take delivery of your options and grind the wheat you bought on option?

Mr. WATTS: Surely, on the 1st May there will be millions of bushels, no doubt, taken delivery of and brought across the lakes that we have been buying all through the winter or whenever we thought the price was reasonable.

Mr. GARLAND: I think the whole point of the questions that have been put to Mr. Watts is to secure from him a statement as to whether the price of flour follows the price of wheat downwards as quickly as it follows it upwards, and I think Mr. Watts has answered this question: "Unfortunately, however, the price of flour does

[Mr. C. B. Watts.]

not go up nearly as quickly as the price of wheat." I would like to ask him to answer a question with regard to the downward trend of wheat prices. What is your opinion with regard to the downward trend, Mr. Watts?

Mr. WATTS: It follows the downward trend much more quickly than the upward trend, for this reason, that on the upward trend there is nearly always somebody who has bought wheat on a lower market, and is anxious to realize on it. On the downward trend some millers may have no wheat at all, and when inquiry comes out for flour, the man who has no wheat at all figures on the low price of wheat and quotes the low price, and in order to do business that competition has to be met. It is one of the most unfortunate conditions in the flour trade. We would sooner have the fixed prices like the Wheat Board had or under the Board of Grain Supervisors, where we knew from day to day and week to week what it was going to cost us, because then we have not to anticipate our wants in the same way except during the close of navigation, and we had not to meet the regular competition. As I stated the other day, my experience for over 35 years in connection with milling and selling wheat and flour is that flour advances slowly, and when the wheat drop takes place we have to meet that drop in wheat in the price of flour.

Mr. FORRESTER: Is not the real reason that wheat is a finished product of the farm ready for the market? The miller buys the raw product and it is three months in his hands before it is a finished product, as a rule. Does not that affect the up and down tendency of prices?

Mr. WATTS: To a certain extent. Of course, it depends on the season of the year as to how long a miller has had it on hand. I have seen the millers time and again accept less for their flour because they had it manufactured and sitting in storage.

Mr. MILLAR: The other day I repeated a statement made by a man in Alberta who had taken a grist of wheat to the mill—30 bushels—and after taking into account what he would have received for his wheat if he had sold it, what he would have had to pay for the bran and shorts if he had purchased them, and for the flour, he found after the miller had taken out his toll he himself had reaped a clear profit of over \$1 a bushel.

Mr. WATTS: The miller?

Mr. MILLAR: No, the farmer, by taking his grist to the miller. The bran and shorts were so high he had reaped a clear profit of \$1 and a cent or two on the thirty bushels of wheat. That statement was corroborated by another farmer, who told me he had had the same experience. Would that be possible in Ontario? I take it from your remarks that you are not as familiar with Western conditions as you are with Eastern conditions. Furthermore, do the millers sell their flour for the same price at points where small millers are competing as where there is no competition?

Mr. WATTS: Conditions are quite different in Ontario, as far as the farmers' gristing is concerned from what they are in the West. An Ontario farmer will not buy flour made from his own wheat. He has been so educated by the advertising of Western wheat that he thinks his own wheat will not make bread fit for his own use. That is very true, as far as bread-making is concerned, to a great extent, because our winter wheat is more suited for pastry and biscuits, and fancy articles of that kind; so in a way you cannot blame the farmer. The farmer in Ontario, however, does not take his grist to the mill. He generally takes his wheat to the mill and says: "I want flour and bran and shorts for this," and the general custom of the millers is to sell the farmer who brings his own wheat the flour and bran and shorts at wholesale prices instead of retail prices.

An hon. MEMBER: Can an Ontario farmer get his own grist ground separately, if he takes it to the mill?

[Mr. C. B. Watts.]



Mr. WATTS: That is excepting the grist mills. The merchants' mill of any size could not grind the farmer's grist. Our system for many years has been the exchange system where that was done, so many pounds of bran, shorts and flour being given for a bushel of Ontario wheat. In fixing the amount of flour given in exchange you have to take into consideration the amount of Manitoba wheat, if it is a blended flour, or if it is altogether a spring wheat flour, the cost of the Manitoba wheat that has been used to make that blend or make that flour.

Mr. GARLAND: I am not yet quite satisfied with regard to the question I asked a moment ago concerning the price of flour following the downward trend of wheat. I am quite satisfied that the witness is doing his best to answer some very difficult questions, but in order to make myself clear I would like to say that as a consumer it has been my very fortunate experience always to have to pay the high price for flour on the downward market, whereas on the upward market the price of flour sold to me always followed the upward price of wheat very rapidly. I would like to ask the witness if he has any figures that would substantiate his viewpoint on this question?

Mr. WATTS: I think I can answer the question of the hon. member. The position that he, as a consumer, is in is that he is dealing with a retailer. The retailer naturally wants to get all the profit out of his flour that he can. If he has bought his flour at \$5.00 a barrel and the price goes up to \$6.00 he has that flour on hand, and naturally shoves it up perhaps to \$5.25 or \$5.50 or \$5.75, and if he has very little on hand he will shove it up to \$6.00 because that is what he has to pay to replace it. If, on the other hand, the price drops and he has flour on hand that cost him \$6.00, he naturally hangs on to that price as long as he can until some of his competitors get in some cheaper flour and sell against him, and then the price drops. There is the difference between dealing with the retailer as the question now I understand is, and as I understood the question to be in the first place, with regard to the action of the miller.

Mr. MILLAR: They have had millers cut the price of flour where small millers are in competition.

Mr. WATTS: That is a rather difficult question to answer. I think you possibly had better ask that of some of the gentlemen following me because all I can give you would be hearsay in that respect. I have no experience in that respect. You had better ask that from some of the small millers who are in competition with the big millers or the big millers themselves.

Mr. SALES: I don't know who Mr. Watts represents.

Mr. WATTS: Secretary of the Dominion Millers' Association.

Mr. SALES: Who are they?—A. We are incorporated thirty-one years ago. We have over 160 members in Ontario and Quebec.

Mr. SALES: You are a purely Eastern concern?

Mr. WATTS: Yes.

Mr. SALES: I notice here you were appointed central wheat buyer of this association thirty-one years ago. May I ask you what the association had in mind in appointing a central buyer?

Mr. WATTS: We found that the dealers in Western wheat at that time, that we were dealing with, were as the millers thought charging a big commission for handling it, so they appointed me to represent the millers that wished to buy through me. It is entirely voluntary, to buy their wheat for them, and I have occupied that position for them ever since, to buy it as cheap as I could and cut out the excess commissions which we felt the dealers were charging the millers. As I remarked a minute ago it is entirely voluntary whether any member of our association buys through me or not, and as I stated the other day as far as the millers are concerned,

[Mr. C. B. Watts.]



if the voluntary pool association will help you we are only too glad to assist you in any way we can to get it.

MR. MILLAR: I would ask Mr. Watts what proportion of the millers in Ontario and Quebec belong to the association. Can you tell us how many there are all told, and how many belong to the Association?

MR. WATTS: As far as members are concerned, the vast majority of merchant millers belong to our Association. In capacity the big millers don't, but the smaller millers do.

MR. MILLAR: You have spoken about loss to the producer in mixing elevators. As Secretary of the Dominion Millers' Association perhaps you could tell us if the millers as readily received grain from the mixing elevators, or if they buy it at all do they want to buy it at a little less than the regular price, or do they shy off from that wheat, knowing it is skinned down to the last notch?

MR. WATTS: I get orders time and again that I am not to buy any wheat from mixing elevators. I do buy a certain amount from them but I have an arrangement with at least the one that I speak of, most or any wheat that is shipped from that elevator is guaranteed fully up to the average in the public elevators.

MR. McMASTER: I have no desire to limit the questions asked of this witness but I think we have other witnesses who have been summoned for this morning, and the hour is wearing on. Might I suggest we hear some other witnesses, and in view of the fact that the law officers of the Crown have reported that Parliament has undoubted authority to constitute a Board for the purpose of buying and selling and to enable it to protect such associations as are incidental to the voluntary undertaking we might direct the attention of the witnesses and the attention of the Committee towards that feature of the situation.

AN HON. MEMBER: Mr. Watts made some definite statement about the price of flour following the downward trend of wheat. In the month of July I think No. 1 was selling around \$1.50 f.o.b. Port Arthur, and it is very high again, but in July there was none to sell. In the Fall, that wheat went down very low, but at the time the farmers sold about 75 per cent. It went down very low. Is the wheat that the miller is grinding to-day based on the price of what he bought in the month of July? I don't think the farmer insinuates that the miller is making the money, that is the amount between the miller and the farmer.

MR. WATTS: I just want to draw your attention to that map again. Kansas grows hard winter wheat and that hard winter wheat makes a flour which competes with our Northwest wheat. That is harvested in June. The result is that that flour starts to get into the markets of the world, is offered in the markets of the world in July, so the millers in the United States can start in July and offer their flour abroad based on that. Our harvests as you know, are not reaped until the latter part of August or the middle of August, the latter part of August and September. The result is that we get no wheat of the new crop down to Fort William until the beginning of September to amount to anything, with the result that the millers have to buy whether they are here or in the West. They have to buy in June generally in order to make sure that they get sufficient wheat to carry them over to supply their trade until October, because bakers do not like to use the new crop of flour. They want their flour matured so that the result is the price of wheat will gradually drop because this wheat has to be sold in the markets of the world when it comes there in September, not in July or August, but it cannot be marketed until September. It cannot reach the seaboard until the end of September or the beginning of October, so the result is that the early wheat in Kansas or Minnesota and South Dakota gradually brings down the price until such time as the price of this wheat competes with the other at the time it is going to be delivered. Does that give the information the gentleman was asking?

[Mr. C. B. Watts.]

Mr. EVANS: When we started threshing last September, the farmer was getting about \$1.30 for his wheat. A storm came on and we lost one grade any way but the best we got in that vicinity afterwards was about 73 cents for No. 2 Nor. which would make about 77 cents for No. 1, perhaps 78 cents, there being no corresponding drop in flour since that time, say 55 cents to 60 cents a bushel; I can on oath say there has been no corresponding drop in flour corresponding to that.

Mr. WATTS: I cannot answer for the West. You will have to ask that question of some of the Western millers. I do not know what the prices are in the West.

The CHAIRMAN: I think Mr. McMaster's observations were very much to the point. The examination of Mr. Watts has been exceedingly thorough, and therefore, in view of the fact that there are other witnesses ready to be heard, I suggest that members desiring to put further questions to Mr. Watts will be as brief as possible.

Mr. MILLAR: You referred to the spread between track and street prices, and suggested that it be fixed at not more than five cents. Now, when there is no car shortage and a man brings in a load of wheat and sells it on the street, it goes in the same bin with the wheat of the man that has a carload, and perhaps on the same day, if the operator wishes, goes on the track; there is no need for any delay. Is there any reason why there should be any spread between track and street, even five cents?

Mr. WATTS: I think in putting the spread at five cents I put it too low for some times and too high for other times, because if there was a car available at once and a farmer brought in a whole carload of wheat, that could be put on the track, as far as the elevator operator is concerned, for the elevator charges, the regular charges. He is buying it and taking a certain amount of risk on grade for which he is entitled to be paid. If the farmer would take that risk on the grade, there is no reason why there should be any charge beyond the regular charges. On the other hand, just as has been stated, a car is not always available, and he may not get a carload, and therefore five cents is not enough; it should be more. In putting it at five cents I think I put it at a fair average. Perhaps in the estimation of the grain men I am too low. The reason I said five cents was because that is what we, as a Wheat Board, set. You must remember, however, that at that time there were no fluctuations in price.

Mr. SALES: How could you buy wheat in an elevator on the prairie in September when there is a cash premium of 15 cents or 20 cents a bushel? You are complaining of the spread that was taken in numerous instances between the street price and the value of the wheat on the track, the same day based on the cash price at Fort William. If you buy that wheat in the middle of September you must sell it for October delivery, and must necessarily take the price of the October option and pay that man accordingly, and five cents would not cover it.

Mr. WATTS: The cash premium and the October price are two different things. The great trouble in connection with the whole situation in the West in the past has been that cars were not always available and you could not get your wheat down. It depends entirely on the circumstances, and that is one of the difficulties about the cash premium. Until the war we really had no cash premiums; and that has been one of the hardest things in the world to deal with, from the miller's point of view during the past two or three years. You get your option to protect yourself, but you cannot grind an option and you have to get the cash wheat, and it has been necessary to pay big cash premiums on top of the option in order to get the wheat to grind.

Mr. SALES: You say that as high as 42 cents a bushel was found to have been charged or deducted by the country elevators between what they paid the farmer for his load and the value of that same wheat on track at the country elevator. You had 25 cents premium on cash wheat in September in the year this evidence was taken.

Mr. WATTS: That is the spread between the street price and the track price, an entirely different thing from premium. The spread between the track price and the

[Mr. C. B. Watts.]

street price would not have occurred in September or October, in my opinion, but when it came along to November and that buyer in the West could not be sure of getting that down except for delivery on the December option, and had no idea what the premium would be when he got it there, then he has to provide to a certain extent against that.

Mr. SALES: As we have this evidence on oath, I would request that proof be brought that as high as 42 cents a bushel was charged or deducted by the country elevators between what they paid the farmer for his load and the value of that same wheat on track at the country elevator.

Mr. WATTS: From what page are you quoting?

Mr. SALES: Page 85 of your evidence.

Mr. WATTS: I did not say that of my own knowledge. I said I was informed that those were the spreads that had been taken between track prices and street prices in certain cases, based on the cash value in Fort William at that time. My statement is: "According to report the evidence showed that, 25 cents, 30 cents, 35 cents and as high as 42 cents per bushel was found to have been charged or deducted by the country elevators between what they paid the farmer for his load and the value of that same wheat on track at the country elevator."

Mr. SALES: Will you read the next half dozen words, please?

Mr. WATTS: "This is nothing less than a crime, and this committee should immediately, if it is within its power, arrange with the Dominion Parliament to pass legislation fixing the maximum spread between street price and cash price five cents per bushel on the contract grades of wheat, the same as the old Wheat Board did."

Mr. SALES: I would like that substantiated, if possible.

Mr. WATTS: You will have to get the evidence of the Royal Grain Inquiry that made the investigation and found that state of affairs to exist.

Mr. McCONICA: You say you are frequently compelled to pay a considerable premium on top of your option price?

Mr. WATTS: Yes.

Mr. McCONICA: Who gets that premium?

Mr. WATTS: The man that owns the wheat.

Mr. McCONICA: Does it go to the farmer?

Mr. WATTS: I am told that when the premiums were high last year they went to the farmer, because they were holding their wheat and would not part with it until they got their price which, accordingly, went up to \$1.50, when the wheat was released in large quantities.

Mr. McCONICA: And when the farmer was getting the premium there was no more premium?

Mr. WATTS: If he was the owner of the wheat. Those were the reports we had from the West at that time.

The CHAIRMAN: Is it the pleasure of this Committee that the next witness be now called?

Some hon. MEMBERS: Yes.

—Witness retired.



The CHAIRMAN: Messrs. Rice and Thompson of the Dominion Millers' Association are in attendance here this morning, and also Mr. Hogg, 1st Vice-president of the Toronto Board of Trade. Without in the least wishing to curtail this discussion at all, I do hope that the members of the Committee will be as brief as possible in their examination of the witness.

H. L. RICE (Dominion Millers' Association) called, sworn, and examined.

Mr. RICE: Mr. Chairman and gentlemen, in order to expedite matters I shall make my evidence as brief as possible and rely upon your questions in order to bring out any other point that I may omit. I am an Ontario miller—one of the smaller millers—situated in a Western Ontario town.

Hon. Mr. STEVENS: Mr. Chairman, would the witness please state his official position, and also in what capacity he appears before us to-day?

Mr. RICE: I have been selected by the Executive of the Dominion Millers' Association to represent the millers of that Association in this statement, as subsidiary to, of course, and supporting our Secretary, Mr. Watts. The Ontario millers were not altogether satisfied with the operations of the old Wheat Board, and they would be very fearful of the operations of another Wheat Board. We felt that the old Wheat Board—they were given autocratic powers, which we think are dangerous to place in the hands of any set of men, because they are very apt to exercise them autocratically—took a prejudiced view in their interpretation and administration of the Order in Council under which they were established. We think there are other interests so vitally wrapped up with the interests of the producers that the Wheat Board should consider those interests as well as the interests of the man who has been successful in any one particular year in growing a crop of wheat. We thought that the old Board did not give the consideration to the milling industry and the varying interests of the Dominion of Canada that should have been given to them. Of course,—this is only a surmise of my own—there were many farmers in the West that suffered very severely under the operations of the Wheat Board. That is to say, the farmers who were unfortunate enough to have been in those districts that year that had to pay from \$40 to \$100 a ton for their hay in order to keep their stock alive. If the Wheat Board had been considerate of the farmers who were in that position, and secured the milling of more wheat in the Dominion of Canada, that situation would not have existed.

In regard to the prospects held out in connection with the present proposition, that an average of ten cents a bushel on a wheat crop of 250,000,000 bushels could be secured for the farmers of the West, I do not see how the operations of the old Wheat Board would justify any one arriving at any such conclusion. The old Board established a price for their wheat in the first place 15 cents a bushel less than wheat was selling at at the time. That was the first wheat they sold—at any rate, I know the first wheat they sold to the millers was \$2.30 whereas the fixed price was 2.15. The market went up somewhat consistently. There was one period of stagnation in the middle of the year, and a lot of stuff had to be held for a while, but the market went up pretty consistently all the way from that initial price of \$2.30 to about \$4 a bushel. Yet the Wheat Board was only able to show a net profit, over and above the first 15 cents that they set the price at, of 33 cents a bushel. If, under circumstances of that kind, and having regard to the conditions that prevailed at that time, they could only show a net advantage to the farmers of the West of 33 cents a bushel, I do not see how you can expect to get an average of 10 cents a bushel on a 250,000,000-bushel crop under conditions that are tending to reaction towards normal conditions again. The whole situation, in a nutshell, appears to be this: Conditions are bad for the producer, no doubt, but I think it must have been a pretty low grade of wheat that was selling for 73 cents a bushel in the West—

Mr. EVANS: No. 2 Northern.

[Mr. H. L. Rice.]

Mr. RICE: I sympathize with the effort to have a readjustment of freight rates, and a removal of whatever discrimination exists—

Mr. GARLAND: I myself sold some of my own grain, No. 1 Northern, at 75 cents a bushel.

Mr. RICE: Of course, people are very apt to do a lot of selling at the bottom of the market and a lot of buying at the top of the market. That is one of the unfortunate things about speculative business like the wheat and flour business. One never knows when the bottom or top has been reached. You are apt to become bearish at the bottom and bullish at the top. Of course, the Ontario farmer was not in quite as hard a position as that. With the exception of perhaps three or four loads of wheat that I myself bought from the farmers at \$1 a bushel, we did not buy any wheat at less than \$1.10 from the Ontario farmers right at the street door for No. 2 white wheat, and, of course, the price they have been getting has run from that up to \$1.40 a bushel.

I think I contracted a little poison the other night, which has settled in my throat, and my system is in bad shape, so bad that it is difficult for me to recall all the points that may be worthy of discussion. I will therefore confine my future remarks to answering your questions.

Mr. WARD: Mr. Chairman, I am not a member of the Agricultural Committee—

The CHAIRMAN: Then I am afraid you can only take part in the discussion by leave of this Committee. Is it the pleasure of this Committee that members of the House who are not members of this Committee be allowed to take part in this discussion?

Some Hon. Members: No.

Hon. Mr. STEVENS: Mr. Chairman, I would like to point out that it has been in this House the practice of all Committees to extend to the members of the House who are not members of the Committee the courtesy of permitting them to take brief part in the Committee's deliberations by way of asking questions, and I move that that courtesy be extended to all members of the House subject to the will of the Chairman.

The CHAIRMAN: I quite agree with you, Mr. Stevens, but the rule of Committees is that no member of the House who is not on the Committee has any right to take part in the proceedings of the Committee. We had that question up at our last meeting, when Mr. Boys brought it up. This Committee is composed of 105 members, and I quite agree with you that it is within the jurisdiction of this Committee to extend the courtesy to other members of the House, but as our Committee is so large, I would be rather chary in the exercise of our extension of courtesy.

Mr. RICE: In connection with comparative operations of the old Wheat Board and what might be the operations of the Wheat Board that might be constituted at present, under the old Wheat Board the trade generally had to work for nothing, that is to say all the work that was incidental to the operations of the Wheat Board was done without any remuneration whatever. We had ample extra office staff in order to keep our records. When we bought wheat from the farmer, as we did and paid for it, it was not our wheat. Then it was the wheat of the Board, and we could not get it until we bought it back from the Wheat Board at whatever price they asked for it, and the records had to be very complete. The Wheat Board was so tight in that regard that they required all our returns to be sworn to, and they refused to pay us the outlay we had to make in securing these affidavits. That was the extent to which they held the trade down in the matter of the clerical and other work that had to be done in connection with the operation of their Board, and that went to constitute part of the 33 cents a bushel.

Mr. McCONICA: You are talking about the small miller.

Mr. RICE: Everybody was in that position.

Mr. McCONICA: Do you mean to say the large millers worked for nothing?

[Mr. H. L. Rice.]



Mr. RICE: I was talking about the costs of operating as servants of the Wheat Board.

Mr. McCONICA: Who gets the difference in between, selling at the bottom and buying at the top?

Mr. RICE: There is the general question I think which runs along that line as to the possibility that the farmer can buy wheat in October and sell the flour of that wheat in June or July. There may be some little concerns in the country that are big enough to buy millions and millions of bushels of wheat to carry them through the year. I don't know whether there are or not, but among the average millers there is not anything of that sort possible at all. We have to operate in the bigger mills from hand to mouth, especially latterly when the credits were curtailed and that sort of thing. It has not been possible for the miller to lay in large stocks of wheat when he felt the market was unduly depressed, and have it put on the market at an enormous profit to himself at a later date.

Mr. McCONICA: So the most of the wheat you did not buy from the farmer but from those who buy from the farmer.

Mr. RICE: We don't buy any from the farmer.

Mr. McCONICA: About what percentage of the wheat you buy comes into the hands of the millers in the two fall months?

Mr. RICE: In the four months there would come into the hands of a miller like ourselves, probably 25 per cent.

Mr. McCONICA: In the two fall months when the farmers sell most?

Mr. RICE: We have to keep our mill running if we can. If we can keep it running all the year round we will buy as much wheat one month as another.

Mr. McMURRAY: You have not told us in what way the formation of the Wheat Board would injuriously affect the milling interests. In what way would this Wheat Board, if formed now, injuriously affect the milling interests?

Mr. RICE: If they ignore the requirements, that is if they control flour as the old Board did and control the operations of the mill as the old Board did, it certainly will work out injuriously.

Mr. McMURRAY: In what way would there be any financial loss to the milling interests?

Mr. RICE: You want to know in what way the operations of the old Board was injurious to the milling interests?

Mr. RICE: You want to know in what way the operations of the old Board was injurious to the milling interests.

Mr. RICE: I will give you a little of our experience with the old Board along those lines. In the United States under control the United States body that had control over there considered the situation very thoroughly from the standpoint of the American mills, and they allowed their men over there a gross margin of \$1.25 a barrel on the flour and 50 cents a ton on the feed, that is to cover all their operating expense and their profit. Our Board over here never allowed us anything on the feed. They refused to allow us to figure 50 cents a ton on the feed at all, and they never figured higher than 85 cents a barrel on the flour. Now 85 cents was not the price they really allowed us because they allowed us all the way from that down to nothing. On one lot of Ontario flour the Board bought, they did not leave a margin of one cent to the miller for the milling of that flour. They made us supply that flour to them. Of course, we were not compelled to accept their offer for the flour if we did not have to, but the demand for feed was so insistent that we had to work for nothing for the sake of the man who was clamouring for it at our mill door—for the millfeed at that time, but that order was filled and although the

[Mr. H. L. Rice.]



Wheat Board made a big profit on that flour, when we asked them to correct the injustice to the Ontario miller, by making us grind that flour for nothing, they sat there and absoluteley refused to budge one inch, and in that respect we had to pocket the whole milling cost of that one lot of Ontario flour. They fixed the price of the by-product as well as of the flour. The whole thing was fixed and the situation between flour and the by-product is simply this. You were asking some questions a little while ago of Mr. Watts in regard to the price of wheat and the price of flour last fall. At the time you referred to the mill feed of a barrel of flour was worth less than 70 cents a barrel. At the present time it is worth up over \$1 a barrel. In figuring the price of flour at that time, 70 cents a barrel, the return from the sale of the mill feed was deducted from the price of the flour. At the present time flour has not reached the same high level in proportion to the price wheat would reach if the mill feed had not gone up from 70 cents to \$1 a barrel.

Mr. McMURRAY: What percentage of reduction was there in milling profits by reason of the operation of the Wheat Board?

Mr. RICE: Of course, we generally look to the big mills for the criterion in that respect. I think the contention of the big mills is that they have such a large revenue from other sources than milling that while they are able to pay large dividends on their stock, as far as actual milling is concerned, their profits do not show over 2 per cent to 2½ per cent on their turnover.

Mr. McMURRAY: But in your own business, for instance, to what extent was your profit curtailed by the operation of the Wheat Board, in percentage?

Mr. RICE: Unfortunately, I cannot say much about that for the simple reason that we were constructing during that time, and adding to our capacity.

Mr. McMURRAY: But that is the real objection of the milling interests, that their profits are curtailed under the operation of the Wheat Board?

Mr. RICE: Our operation was curtailed.

Mr. McMURRAY: No, but your profits were curtailed?

Mr. RICE: Yes.

Mr. McMURRAY: That is the real objection to this Wheat Board?

Mr. RICE: No, there are other objections as well as that.

Mr. McMURRAY: That is your substantial objection?

Mr. RICE: We are so tied up in our operations in Ontario with the Ontario farmer who is engaged in mixed farming, that we have to consider that end of the question as well as the purely milling end of it, and if we are to be shut down for the best part of six months, as we were during the period of the operation of the Wheat Board, when we were hardly turning out any bran and shorts at all, it will render the business a perpetual pest.

Mr. McMURRAY: How did the Wheat Board shut you down for six months?

Mr. RICE: Because they did not give us any orders for flour, and towards the end of their operations we were paying them \$1 a bushel profit on their wheat. That is what they were actually charging us, a dollar a bushel over the initial figure to the farmers. They opened certain markets to us, and said, "Go ahead and work up your own trade"—In the West Indies, for instance, we had opportunities to place large quantities of flour there, but the surcharge they put on over and above the dollar a bushel on the wheat was as high in one case as \$1.25 a barrel. That is, they wanted to make that much money more in the sale of this flour. We could not pay \$1.25 surcharge. We tried to get them to reduce it, but they would not do so, and I myself missed one large order. They gradually reduced the surcharge, but still kept it on all the time, so that we did not sell a single barrel of flour under those conditions. Mr. Watts stated there was a time when it was very difficult to sell, and Mr. Stewart was obliged to carry a tremendous load of flour and wheat amounting to 60,000,000

[Mr. H. L. Rice.]

bushels or so. Do you know they turned right back on the millers and cancelled the instructions for the shipments of some of the stuff they had already bought at the low price prior to December 27, and we had to carry that stuff in stock, for which we got hardly any carrying charges. In fact, I think demurrage had to be paid on some stuff in some cases.

Mr. SALES: Did the Wheat Board at any time charge the millers more than they could have sold the wheat for export?

Mr. RICE: We are not possessed of the secrets of the Wheat Board. They were careful to keep them entirely to themselves. The policy the Wheat Board pursued with regard to the domestic market was this: At the start the initial price was \$2.15 and we had to pay \$2.30. Whether they sold any wheat for export under \$2.30 or not I do not know, but that is what we had to pay. They preferred a steady market, so they did not make any other advance, whatever prices they may have been selling for export between times. I daresay they sold a lot of wheat between \$2.15 and \$2.65. The next price we had to pay was \$2.65. They advanced the price 50 cents a bushel in one jump, and I think the millers were paying more at times than they were getting for export, and sometimes less.

Mr. SALES: That is a very important point. Mr. Watts was on the Wheat Board, and I presume he could give us the information as to whether the Wheat Board did charge the Ontario miller in this country any more than he could get for export at the same time.

Mr. RICE: My impression is that the detailed operations of the Board were conducted by a small executive of two or three members, and that even the members of the Board themselves did not know the prices from day to day. The general body of the Board was called together at stated intervals, and what had happened in the meantime was not part of their duty to control.

Mr. SPENCE: It seems to me that some of the earlier evidence referred to this point, that the price was gradually increasing in the world's market but they held the price back to the Canadian miller until the advance of 50 cents was made at the one time.

Mr. RICE: In answer to that statement, I want to say that during the whole of the operations of the Wheat Board the millers did not get any advantage whatever from anything that happened in connection with the fluctuations of the market, not one cent, and that is another ground of complaint against the operations of the old Wheat Board. Immediately they went into control we did not own a bushel of wheat or flour or anything. It was all taken by the Board. When they charged us \$2.30 we had to pay \$2.30 on our own wheat. Now, when the advance was made from \$2.30 to \$2.50, we had to take stock, and every bushel of wheat we had and every pound of flour we had that we could not show a bona fide contract for—shipments being limited for thirty days—was the property of the Board at \$2.30, and we had to pay them on the \$2.50 basis for the stuff we had in our mills or anywhere else. When they advanced the price 50 cents a bushel in that way—\$2.25 a barrel—the millers' price immediately advanced \$2.25 a barrel, and every baker and broker and speculator could have all the flour he wanted without having to pay any more for it. The result was that two or three months after each advance the millers had to see this flour go out at \$2.30 in the hands of all the others in the trade, and going out to supply the customers of the mills themselves, and we were losing, in the case of a small mill of 500 barrels capacity, anything from \$400 to \$500 every day.

Mr. SPENCE: There are one or two other questions that I would like to ask. To my mind this is a very important thing, and will work out not only to the advantage of the western farmer, but to the advantage of many other classes in this country. I understand you represent the Ontario millers, practically?

Mr. RICE: Yes.

[Mr. H. L. Rice.]



Mr. SPENCE: That is an important industry which should receive full consideration. As I see it, we have to consider the value of a system of this kind to the wheat grower, to the miller, to the consumer, and also to the Ontario dairy farmer. If we could get in a few words the objections from the standpoint of the Ontario millers to the operations of this Board it would be helpful. How did the operations of this Board injuriously affect the Ontario millers? Then, in your own opinion, was the objection you have already outlined due to the operations of the Board as a Board, or to arbitrary action of those in control of that Board?

Mr. RICE: With regard to the last question, I would not like to express my opinion—it would only be an opinion. I want to say, in regard to the broader question, that the crux of this whole matter turns on the export trade, on the amount of wheat milled in Canada for export. Our home consumption is probably about 45,000,000 bushels a year, and with a crop of 245,000,000 bushels 200,000,000 bushels would be available for export. We have a milling capacity sufficient to take care of possibly the whole of the wheat crop, but supposing we had capacity to take care of one-half for export, if we are cut out by the operations of the Wheat Board because of the impression of its members that it is their duty to get the last cent for wheat in any market of the world regardless of the flour conditions in the same market, and disregarding all the other interests, its operations will work adversely in regard to the interests of the whole Dominion of Canada. In the first place, if we are reduced in our milling output to our own consumption, it means that the price of flour must advance enormously in the home market. The whole cost of flour depends on the continuous operations of the mills, and if the mills are shut down the price of flour goes up right there and then. The price of bran and shorts also goes up, and while that takes a little from the extreme advance that would occur in the price of flour, it does not take enough to be noticeable, and it reduces the operations on the farm. The wheat is the raw material of the miller, and we think it should be milled and manufactured in Canada, and shipped abroad as much as possible under fair conditions in the form of a manufactured article. You may be surprised to know that the mill products of the Dominion of Canada probably amount to about two-thirds of the total value of all the grain exported from the Dominion of Canada. You can easily see that if those mill products are not available at home the operations of the dairy farmers are curtailed and the supply of hogs and cattle required in our packing houses immediately becomes short. The packing houses cannot run to capacity under those conditions, and their overhead goes up and the cost of their manufactured article increases, and immediately you have an increased cost of living everywhere. Furthermore, the labour situation is affected, and its representatives say that costs have increased and they must have increased wages. Thus Canadian manufacturers are prevented from competing in the foreign markets as soon as anything transpires which will result in the reduction of the milling of Canadian wheat in Canada. Of course, it may be stated that is only a fear, that the operations of the Wheat Board would have the effect of curtailing the milling operations in Canada. That is our experience, and we are very much afraid that Government control and the fixing of prices is not a good thing generally. From that standpoint, particularly, we wish to emphasize that as soon as costs are increased by reduced manufacture along this line, the result is to force the Dominion of Canada out of the foreign field in every line of manufacture, because the costs of living and labour go up. If our raw material goes abroad for manufacture, the costs of living and labour abroad will go down, and consequently foreign competitors will be able to manufacture any line of goods they please at prices that will leave us high and dry.

Mr. SALES: Is it not a fact that the Old Country buyer prefers to buy wheat because he is in very much the same situation as you are? They want bran and shorts in the Old Country and you are asking the Western farmer to sell you wheat at a less price than they can get for it when it is exported to Great Britain.

[Mr. H. L. Rice.]



Some hon. MEMBERS: No, no.

Mr. SALES: The witness objects to the establishment of a Wheat Board which would sell wheat to the best advantage without taking into consideration these other factors.

Mr. RICE: That is what they understood their instructions to be under that Order in Council, and they persisted despite the fact that the Department of Trade and Commerce under which they were operating told them that was not the understanding when the Order in Council was passed.

Mr. SEXSMITH: You represent the small millers. We understand that you suffer periodical discouragement. On the basis of the actual turnover, would you consider the exercise of the authority of the Wheat Board would so affect your business as to put you out of operation, or that your profit would not be sufficient?

Mr. RICE: The whole success of a mill in Ontario or anywhere else depends on the export business. Supposing, for instance, that my friend, Mr. Sales, happened to be a member of the Wheat Board and followed out the policy whereby the Western farmer must be asked to grow the wheat to supply the miller and the dairy man in Ontario, you see where we would be.

Mr. SALES: At a less price, I said.

Mr. RICE: The price is a fluctuating price in the world's market.

Mr. FORRESTER: You never got any at a less price?

Mr. RICE: We would have it at a less price if we were speculators.

Hon. Mr. STEVENS: Can you buy wheat as a miller or as a Millers' Association at a lower price than the world's market?

Mr. RICE: Not one cent lower.

Mr. SALES: I take the gentleman's own words. If he will repeat his statement we will understand it, perhaps.

Hon. Mr. STEVENS: Ask him a question, and he will answer it.

Mr. SALES: He objects to the Wheat Board selling the farmers' wheat to the best advantage without taking into consideration the milling industry in this country.

Mr. RICE: When the Wheat Board was selling wheat in the world's market at less money than they were selling it to the miller they were not selling it to the best advantage, provided they could have sold the whole of it to the miller.

Mr. SALES: Do you know that?

Mr. RICE: I said I was not posted on the details of the operations of the old Wheat Board.

Mr. McCONICA: Is there any reason why an Ontario miller cannot buy and pay the price that is paid in the markets of the world and compete with the world in the product he is producing here?

Mr. RICE: In regard to that the British miller holds the position supreme in the British market. They have no protection over there. England is a free trade country. Grand free-trade England, with a protection along every line as far as the milling of flour is concerned for the miller in Great Britain. He is protected more enormously than if they were protected to-day and at a good ad valorem duty on the imports. He is protected in his steamship rates and they will carry wheat for 11½ cents a hundred and flour for 24 cents or 25 cents a hundred pounds.

Mr. STEVENS: It is an arbitrary advantage fixed by the British ship agencies?

Mr. RICE: Yes. Then of course they have the natural advantage of their position. The British millers manufacture about 92 per cent of all the flour used in Great Britain on an average.

[Mr. H. L. Rice.]

Mr. SALES: We get down to the same point again, that owing to the shipment of wheat being easier, our best plan for the farmer, without controlling the other interests, is to export wheat to the British market.

Mr. RICE: You go on and do that and see what you are going to do. Some of those days you won't have any wheat. If there is no mill feed—you will be sending your good money over to the United States for cottonseed and for corn that has not anything near the fertility value of your bran and shorts. It is all right enough as long as the virgin soil lasts, but it is not to the advantage of the Dominion, or the producers of the Dominion of Canada to pursue a policy that, while it may look attractive at the moment, is ruinous in the end.

Mr. EVANS: During the operation of the Board, you were prevented from milling as much flour as you would otherwise have done, and you could have found sale for that flour if the Board had not control of it. You said you were some six months without a sale because the Board did not give you any orders for flour. Why was that?

Mr. RICE: Because they were trying to charge an enormous profit over the profit of the \$1 a bushel. They were interpreting it in the interests of the farmer, and they were disregarding the interests of all the allied industries in the Dominion of Canada.

Mr. McCONICA: Was there any allegation of partiality in connection with the orders for flour and so on?

Mr. RICE: No, I never heard of anything of that sort. I think their operations as far as that is concerned were absolutely straight and aboveboard.

Mr. SALES: Can you tell us how many millers you had on that board and how many farmers?

Mr. RICE: There were two or three millers on the Board and there were not any millers on the executive Board.

Mr. SALES: How many farmers?

Mr. RICE: I don't know.

The CHAIRMAN: That report can be got from the report of the Wheat Board, I think, Mr. Sales.

Mr. EVANS: What you object to is having a body of men control the intellectual part of your business, the mental part and you financing it and finding a sale for it and having to submit to their judgment, whether it is in your interest or not.

Mr. RICE: I think anybody would object to just such a condition as that.

Mr. EVANS: I would like to ask Mr. Rice a question. Mr. Rice contends that during the operations of the Wheat Board they devoted most of their efforts to selling wheat thereby curtailing the milling of wheat and that it had the effect of making a scarcity of bran and shorts to the Ontario farmer.

Mr. RICE: Yes.

Mr. EVANS: Why is it now, when we have no Wheat Board, we have a scarcity of bran and shorts without buying a considerable amount of flour we don't want?

Mr. RICE: Those conditions arose under the operation of the Wheat Board. In particular cases as I stated they have a surcharge over and above the \$1 a bushel.

Mr. EVANS: What prevents you from selling this flour now?

Mr. RICE: As you know, there was a very severe decline in prices along towards the fall. The millers were not prepared for a decline of that sort. They all carried stocks more or less and got caught. On this crop when your market declined to that low point, the millers were not in position to take advantage of those low prices and stock up with wheat to any extent and they don't do it at any rate. The result was when the market began to advance it advanced rapidly, but the export market for flour did not go up the same way, and the Ontario mills, the Woodstock mills, one of

[Mr. H. L. Rice.]



our best mills, was said to be shut down because it got out of line with the export market and could not afford to operate. It was not able to secure flour sales for export. In that same connection I want to say that those adverse freight rates that are operating at the present time and operated all this winter are largely a factor in that situation. The Buffalo miller can take our Canadian wheat in there, and I suppose the charge of laying it down there is very little more than taking it at Goderich. He can have it brought to Buffalo and delivered from there to the seaboard at a decimal over .83 cents per 100 pounds. From Goderich the Ontario miller has had to pay 6.83 cents per 100 pounds. Our railroads, backed by the Railway Commission, have actually permitted an outrage like that, to charge us 6 cents in excess on our own wheat from Goderich as against Buffalo grinding the same wheat and sending it abroad.

Mr. EVANS: I think Mr. Rice has made rather a serious allegation regarding the sale for the flour and the mill products. I think you would know that the British Government attitude, controlling the importation of wheat, was to put a greater percentage into the flour even than they used to, and that they would buy the wheat. Was not the Board under the obligation of selling wheat for export rather than flour, and if they did not do that, they would not have been able to sell the Western wheat crop at all.

Mr. RICE: I might say there is perhaps more reasonable excuse or at least more apparent excuse for the action of the Wheat Board in the matter of flour sales, and that is that the ocean freight rates at that time showed a differential in favour of wheat as against flour per hundred pounds; so that it made it perhaps difficult to secure as large a grinding, but the point is this, that millions and millions of bushels of wheat had been sold at the price of \$2.80 which we have heard was the case—I don't know whether it is so or not, but I imagine it was so. The Wheat Board was like everybody else. You make a movement of wheat such as in our West and it has got to go out. Unfortunately the same thing applies in every other country. The same thing prevails in the United States where their crop begins to move in larger quantities than others. Just when we get over the crest of our movement, then comes the Argentine and the Australian movement. They come with their wheat. Great Britain gets the advantage of all that.

The CHAIRMAN: Gentlemen, it is nearly one o'clock. Is it the desire of the Committee to hear Mr. Rice at our next sitting, or to proceed with another witness?

Mr. SPENCE: Before Mr. Rice departs, I would like to say I believe the position he stated a little while ago is absolutely sound, and everything that can be manufactured in Canada should be manufactured here, and I think any other course would be disastrous. I would like to know, however, why a Wheat Board properly operated should prevent the Canadian miller from manufacturing and exporting flour?

Mr. RICE: It might not prevent that if its members had a broad view on the general interests of the Dominion of Canada, but in the case of the old Wheat Board, almost at the outset I heard Mr. Stewart ask the members of the Board if they would consent to selling the wheat to the Canadian millers at a little sacrifice rather than to ship it abroad, and Mr. Woods deliberately stated "There is our order, and that is what we are going to adhere to." It is possible that a Board having that narrow view—I think it is narrow—would prevent us grinding a bushel of wheat in Canada if they could get half a cent more a bushel for it by shipping it abroad. That, of course, is an extreme supposition, but it is possible for a Board to do that.

The CHAIRMAN: Is it the desire of the Committee to sit this afternoon? The Minister of Agriculture informs me that his estimates are coming up in the House.

Some hon. MEMBERS: Adjourn until to-morrow morning.

The Committee adjourned at 1 o'clock p.m. until 11 o'clock a.m. on Friday, April 21.

[Mr. H. L. Rice.]











SELECT STANDING COMMITTEE

JACKMAN

ON

# AGRICULTURE AND COLONIZATION

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## Minutes of Proceedings and Evidence

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No. 5--FRIDAY, APRIL 21, 1922

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Hon. C. M. Hamilton, Minister of Agriculture, Government of Saskatchewan.

Mr. R. A. Thompson, President of Dominion Millers' Association.

Mr. A. O. Hogg, Vice-President Toronto Board of Trade.

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# SELECT STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION

## MINUTES AND PROCEEDINGS

FRIDAY, April 21, 1922.

The Committee met at eleven o'clock A.M. Present:—Messieurs. Kay (in the Chair), Arthurs, Baldwin, Bowen, Brethen, Caldwell, Campbell, Carruthers, Charters, Chew, Clifford, Denis (St. Denis), Desaulniers, Duncan, Evans, Fafard, Fontaine, Forke, Forrester, Fortier, Garland (Bow River), Gauvreau, Gendron, Gervais, Good, Halbert, Hatfield, Hubbs, Hunt, Jelliff, Johnson (Moosejaw), Jones, Kay, Kennedy (Glengarry and Stormont), Knox, Laflamme, Lafortune, Leader, Leger, Lovett, Lovie, Lucas, MacKelvie, McConica, McCrea, McKay, McKillop, McMaster, McMurray, Malcolm, Marcile (Bagot), Millar, Morin, Morrison, Morrissey, Motherwell, Munro, Neill, Ouimet, Papineau, Pritchard, Rankin, Raymond, Robinson, Sales, Savard, Senn, Sexsmith, Simpson, Spence, Stansell, Stein, Stevens, Thompson, Thurston, Tobin, Tolmie, Warner, White and Woodsworth.

Hon. C. M. Hamilton, Minister of Agriculture in the Government of Saskatchewan, was present and gave an address on Wheat Marketing.

Moved by Mr. Johnson (Moosejaw), seconded by Mr. Garland (Bow River),—

“That the Agricultural Committee be authorized to appoint a sub-committee of its members, with authority to confer with the Law Officers of the Crown and experts in the grain business, including Messrs. James Stewart and F. W. Riddell, and such others as it may deem advisable, to ascertain to what extent the Canada Wheat Board, or other compulsory national wheat marketing system may be established by this Parliament, with or without supplementary Provincial legislation.”

Which resolution was, by consent of Committee, laid on the table till Monday, April 24, it to be the first order of business on that date.

On motion of Mr. Thurston, seconded by Mr. McConica,

Ordered

“That Mr. McMaster be Deputy Chairman of this Committee.”

Committee adjourned to meet again at four P.M. this day.

Committee resumed at four P.M., Mr. McMaster, the Deputy Chairman, presiding.

Mr. R. A. Thompson, President Dominion Millers' Association, who was in was called, sworn, examined and discharged from further attendance.

Mr. A. O. Hogg, Vice-President, Toronto Board of Trade, who was in attendance, was called, sworn, examined and discharged from further attendance.

Committee adjourned to meet on Monday, April 24, at 10 o'clock A.M.

*Clerk to Committee*



COMMITTEE ROOM 424,

HOUSE OF COMMONS,

Friday, April 21, 1922.

The Select Standing Committee on Agriculture and Colonization met at 11.00 o'clock a.m. Mr. Kay, the Chairman, presiding.

The CHAIRMAN: The Committee will please come to order.

Gentlemen, two witnesses who were in attendance here yesterday are present this morning, and also the Hon. Mr. C. M. Hamilton, Minister of Agriculture, Government of Saskatchewan. What is your pleasure as to the order in which the evidence of these witnesses shall be taken this morning?

Some Hon. MEMBERS: Let us hear Mr. Hamilton first.

Hon. Mr. MOTHERWELL: Mr. Chairman and gentlemen, in all probabilities the two gentlemen representing the milling interests have priority so far as being here is concerned, but I would like to request that Mr. Hamilton be heard first because I have to leave at a quarter to twelve in order to attend a very important meeting of the Council in connection with the question of natural resources, which is being discussed with the three Western Premiers. I do not want to miss this meeting, nor the meeting of the Council, and I would like the opportunity of asking Mr. Hamilton one or two questions.

Agreed.

The CHAIRMAN: Since the Committee has commenced sitting I have received a number of telegrams which will be taken up later on, but I will read this one now:—

“Chairman of Agricultural Committee,

“House of Commons,  
Ottawa.

“We the members of Candahar Grain Growers' Association demand the re-establishment of the Wheat Board as originally recommended to the Government by the Canadian Council of Agriculture.

“Candahar Grain Growers' Association Ltd.

“P. Frederickson,  
“Secretary Treasurer.”

Hon. C. M. HAMILTON: Minister of Agriculture, Government of Saskatchewan, appeared and addressed the Committee as follows:—

Hon. Mr. HAMILTON: Mr. Chairman and gentlemen, in appearing before you this morning to give you some opinions from the Province of Saskatchewan in connection with the question of marketing wheat, I recognize that the situation has changed somewhat since I left Saskatchewan now nearly a week ago. The opinion of the law officers of the Crown in connection with the legality of the question has probably changed the situation from the point of view of this Committee, and probably from the point of view of the Parliament of Canada. However this may be, I am here to represent the needs of the case, and in that regard the opinion of the law officers of the Crown does not appear to me to have changed the situation.

I think that probably the responsibilities of this Committee have been increased rather than lessened by the opinion of the law officers, and that we should try to establish the need for some system of central marketing, and show that a central system of marketing would assist in the solution of the condition in which we find our agricultural industry at this time. In addition, we should try to establish the fact that such a system would be justifiable. I am going to endeavour to establish,

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first, that a need exists; secondly, that marketing through a central agency will help; and, thirdly, that it is justifiable.

As a representative of the Government of the Province of Saskatchewan, I may say at the outset that the desire on the part of the people there for the re-establishment of the Wheat Board as it existed in 1919 is almost unanimous. I can say frankly that I have not during the past twelve months heard one adverse comment in connection with the proposed system of marketing, but as the law officers of the Crown have said it is not within the power of the Parliament of Canada to enact the legislation for its re-establishment, then possibly it will be necessary for you or the Government to look for a solution of the difficulty. So far as the desire of the people of Saskatchewan is concerned,—and I have had opportunities of coming in contact with them during recent years—I am of the opinion that they are very strongly, if not unanimously, in favour of a central system of marketing.

The legislature at its last session passed the following resolution:—

“Whereas the present condition of the agricultural industry in Saskatchewan is such as to cause serious concern for its success in the future; and

“Whereas grain and farm products generally are being sold now at prices below the cost of production; and

“Whereas a continuance of this condition will mean ruin to the industry and serious embarrassment to other industries and to Canada at large; and

“Whereas for the above reason the problem of profitable marketing of the products of agriculture is a great national problem; and

“Whereas the great bulk of agricultural products of 1921 are now out of the farmers' hands, thus giving time for sound constructive work to be done to ensure better marketing conditions for the crop of 1922 and succeeding crops;

“Therefore be it Resolved, That this Assembly urge the Government of the Dominion of Canada and the House of Commons of Canada to immediately give consideration to the problem of marketing the products of agriculture in order that those engaged in that industry may have some assurance, before sowing the crop of 1922, that a system of marketing will be in existence, which will prevent the slaughtering of prices to a point below the cost of production.

“And be it further Resolved, That this Assembly reiterate its opinion that the only system of marketing which will meet the conditions for 1922 is a National System under the control of a Wheat Board on which the producers are fully represented.”

I may say, Mr. Chairman, that this resolution was adopted by the unanimous consent of the Legislature of the Province of Saskatchewan. As stated in the resolution, a similar resolution was adopted at the previous session, so I think we are justified in inferring that from the point of view of the people of Saskatchewan, they are very strongly in favour of some centralized system of marketing agricultural products. Probably the Province of Saskatchewan is more vitally interested in this question of wheat marketing than any other province of the Dominion of Canada, because it is the largest wheat producing province of the Dominion. In that connection, let me quote you some statistics in connection with the acreage and the amount of wheat produced during the last year. In the year 1921, according to the statistics that have been compiled by the Bureau of Statistics of our Department of Agriculture, we had in wheat in the Province of Saskatchewan 13,556,708 acres, and the average yield was 14.8 bushels per acre, or a total production of 201,347,483 bushels.

If we estimate that for home consumption and for feeding purposes in the Province of Saskatchewan we would require 30,000,000 bushels, it would leave approximately 170,000,000 bushels for sale outside of the Province of Saskatchewan in other portions of the Dominion of Canada, and other importing countries with whom we deal.

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From these figures you can appreciate the immense importance of the question of marketing wheat from the point of view of the farmers of Saskatchewan, and not only from the point of view of the farmers, but of all people in that Province, whether they live upon the lands or in the towns and cities.

According to the 1916 census, Saskatchewan was 72.79 per cent rural, and while the figures for the 1921 census are not yet available, it is estimated that in the present year approximately 70 per cent of the people in the Province of Saskatchewan are living upon the land. In addition to the large proportion of people living in the rural districts, we must take into consideration that agriculture is to a very considerable extent the only industry we have in the province of Saskatchewan. There are very few industries—there are some small industries—but the agricultural industry predominates; so that all our people, whether in the rural districts, towns or cities, are dependent on the products of the farm for their living. Our whole life is built up and dependent upon the returns from agriculture. Our ability to build and maintain churches, to build and maintain schools, roads, telephones and hospitals, and all the other needs, is dependent upon the returns we receive from our agricultural products. Therefore I think you will recognize that so far as the Province of Saskatchewan is concerned, we are dependent to a very large extent on agriculture, and are vitally interested in receiving the highest possible prices for our wheat crops.

Conditions in our Province have not been very good during the recent years. During the period of the war and the years immediately following, crop conditions were not favourable in many sections of our Province, largely due to drought conditions which existed in many sections. In the years 1920 and 1921 we had a fair crop, but the cost of production was so high in comparison with the price received for the products, that a man that had a crop was little better off than the man that did not have a crop. I just want to make a calculation here in regard to an average wheat farm in the Province of Saskatchewan in the year 1921, just for the purpose of substantiating the contention which I have endeavoured to make that agriculture has not been in a thriving condition during the past six years. We take as the average farm in Saskatchewan a half section, although probably it is a fraction more than an average farm. On the basis of 320 acres at \$25 an acre, the investment would represent \$8,000; buildings, \$2,000; stock and implements \$2,000; making a total investment of \$12,000.

Unfortunately, in the Province of Saskatchewan, there are not many such farms that are free from debt, and a conservative estimate of the amount of the mortgage on such a farm would be \$3,000. Also most farmers have other liabilities such as indebtedness to the banks and machinery companies, and also indebtedness for stock. I estimate that other indebtedness, outside of mortgage indebtedness, at \$2,000, making the total indebtedness of the average farmer on a half-section about \$5,000. I think in making that calculation we must allow interest on the amount of indebtedness, because interest should be met every year. The interest at 8 per cent on \$5,000 is \$400. The taxes on the average half section would amount to about \$90. The allowance for food, clothing, fuel, etc., for the farmer, his wife and his family, would amount to about \$1,200, which is, I think a rather conservative estimate. The labour on the basis of one man for eight months at \$60 a month would amount to \$480, and the board for one man for eight months at \$25 a month, \$200. Then horse maintenance, eight months at \$60, \$480. This has been worked out by some of the statistical branches of the northwestern states of the American Republic. Then, seed: wheat, 240 bushels at \$1.50, \$360; oats, 80 bushels at 75 cents, \$60. Then hail insurance, 200 acres at 60 cents, \$120. Then twine, 400 pounds at 20 cents, \$80. Threshing: wheat, 2,368 bushels at 20 cents, \$473.60; oats, 1,308 bushels at 12½ cents, \$163.50, making a total cost of production of \$4,107.10.

Then as to the income taking the 160 acres of wheat and 14.8 bushels per acre, we get 2,368 bushels at 80 cents, \$1,894.40; oats, 1,308 bushels at 25 cents, \$327, making the total production of the farm \$2,221.40. Then if you subtract the revenue

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of \$2,221.40 from the total cost of operation \$4,107.10, the deficit on the year's operation amounts to \$1,885.70. I think those who are familiar with the conditions in the West will agree with me that the estimates I have made in connection with the operation of the average half section farm in the Province of Saskatchewan during the year 1921 are moderate.

We cannot long go on under these conditions, and the question is: What are we going to do? Is there anything that can be done to improve these conditions? I think I have up to this point tried to establish the fact that there is need for some action in connection with this matter. I think that is unquestioned. Would national marketing or marketing through some central agency assist in procuring for the producer a larger amount for his wheat? In considering this question I think we must take into consideration the question of markets—what we do with our crop. Canada is to a very considerable extent an exporting country, and the Province of Saskatchewan, in common with other provinces, depends to a very large degree upon the markets of the world in the fixing of the prices for our products. The British Isles are our main market, and probably to a larger degree than any other country constitute the factor in determining the price that we receive for our wheat. It is true that if the United States market was available we would obtain considerable advantage, but on account of the Fordney tariff that market, unfortunately for us, is prohibited at the present time. In connection with the question of marketing, I think it is well to take into consideration the purchasing habits and methods of those importing countries with whom we deal and to whom we must look for the setting of our prices for the staple product of wheat. In this connection, we might turn to Great Britain, and I shall quote some figures in an endeavour to show you that Great Britain imports her wheat and wheat products regularly. These figures cover a period from 1905 to 1913. I was not able to secure any figures of a more recent date, but the conditions which prevailed at that time exist to a very large extent at the present time. During this period from 1905 to 1913 the average shipments of wheat and flour to Great Britain amounted to 217,424,000 bushels per annum. I think we may well note that as well as importing wheat and wheat products regularly during the year, the importations into the British Isles during each quarter of the year are remarkably regular. During the first quarter the importations amounted to 59,040,000 bushels; for the second quarter 54,392,000 bushels; for the third quarter, 49,672,000 bushels, and for the fourth quarter 54,320,000 bushels.

How does Canada market her grain? Do we market it in the same way that our importers, the countries largely to whom we look to buy our products, purchase our products? It has been noted and stated, and statistics go to substantiate it, that 75 per cent of the wheat crop of Western Canada is marketed during the months of September, October and November. Let us note our marketings as compared with Great Britain's purchases. In October, 1913, Western Canada marketed 37,546,000 bushels, and during that period the United Kingdom purchased 19,075,000 bushels of wheat and wheat products. During the month of November, 1913, Western Canada marketed 30,946,000 bushels and the United Kingdom purchased 16,918,000 bushels. This is not only true of the months of October and November, 1913, but also true to a very considerable extent—although 1913 is the most outstanding case—over a period of years. I will now quote to you the figures for the years 1909 to 1913. In October and November, 1909, Western Canada marketed 32,137,000 bushels and the United Kingdom purchased 38,497,000 bushels from all countries. The United Kingdom does not get all its wheat from Canada, but from every wheat exporting country in the world. They do not use our wheat exclusively in the making of their flour, and undoubtedly importations from other countries are included in the figure of 38,497,000 bushels. In the year 1910 Western Canada marketed in October and November, 31,944,000 bushels and the United Kingdom purchased 41,097,000 bushels; in October and November, 1911, Western Canada marketed 39,261,000 bushels, and the United

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Kingdom purchased 39,515,000 bushels; in October and November, 1912, Western Canada marketed 47,170,000 bushels, and the United Kingdom purchased 43,905,000 bushels, and in October and November, 1913, Western Canada marketed 68,492,000 bushels and the United Kingdom purchased 35,993,000 bushels.

Mr. McMASTER: Do those figures include flour?

Mr. HAMILTON: Yes, wheat and wheat products.

Hon. Mr. STEVENS: When you say "Western Canada marketed" do you mean that Canada exported?

Mr. HAMILTON: No.

Hon. Mr. STEVENS: That is, marketed both for home consumption and export?

Mr. HAMILTON: Yes.

What effect has this system of marketing upon prices? We have seen how the importing countries buy, and how we sell. What is the effect upon prices? In this connection, the general impression that has been conveyed to me after about thirty years' residence on a farm in the Province of Saskatchewan, and the general impression conveyed to the average farmer in Saskatchewan is that at the time when we are marketing during these months of September, October and November the wheat price is unduly depressed. Is there anything to substantiate this opinion? In this connection, I will endeavour to establish the fact that prices are unduly depressed, and I wish to quote to you from the Stewart-Riddell Report to the Government of the Province of Saskatchewan:—

#### *"Advantages of Pooling Systems"*

"Other things being equal, pooling systems have the following advantages over the present system of marketing:

"(1) Statistics show that under the present system seventy to seventy-five per cent of the crop is thrown on the market during a period of three months. Under a pool, with proper financial and other support, the movement of the crop would be more evenly spread over the whole crop year, thereby undoubtedly avoiding gluts of grain, and consequent depression of prices, which usually occur during the first three months of the crop movement.

"(2) The more evenly regulated movement would stabilize prices to the consumer, as well as in favour of the producer, inasmuch as whilst, when the big movement of the crop is in progress, prices to consumers are usually low, this relatively low price continues only for three or four months."

I will not quote the other portion of this section. I notice Mr. Maharg referred to it. I have read this opinion of Messrs. Stewart and Riddell in order to substantiate the contention I am making, that the throwing of the product on the markets of the world without taking into consideration the demand of others for that product does have a depressing effect on the price which the producer receives. The authority of Messrs. Stewart and Riddell to give an opinion of this kind cannot be questioned. There is also another authority which I would like to quote to you in this connection, and that is the report of the Georgian Bay Commission, the Chairman of which is Mr. Sandford Evans. He is referring to certain diagrams, which may not be very evident to you as I read his remarks, but I think you will get the general idea in connection with it. He has produced diagrams in order to show how we market our grain, and also the price at the various periods from day to day or week to week:—

"The quantities in fig. 1 should now be closely examined in their relation to the price-lines in fig. 2, attention being first confined to the Liverpool prices. Starting at the right hand of the diagram and letting the eye follow down the direction of the autumn peak of 1913, it will be seen that it fits into a market depression in the Liverpool price, the line having apparently sagged many cents per bushel. The same

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thing is seen with the autumn peak of 1912, although not to so great an extent. There are clearly defined expressions also corresponding to the autumn peaks in 1911, 1910, and 1909. In each one of these five years the heavy Canadian marketings at the end of the year have coincided with a depression in price. If we leave out of consideration the sharp squeeze in 1910, it will be seen that, with the exception of one year (1911), the price that has met the Canadian peak is the lowest of the year. In the first half of 1911, other countries, Russia and Australia, dumped unusually heavy loads on a market that was weak because there had been two large world's crops in successive years. Canada dumped her crop, as usual, a few months later, but, although it was the largest Canadian crop in volume up to that time, it was probably the poorest in quality, only about 41 per cent being of contract grade. Its real weight could not, therefore, be great in a market for contract grade wheat. It found a depression in price, but not in this one case, the lowest of the year."

I quote from that official document in order to substantiate the contention that during our marketing period, the time when 70 per cent of our wheat is marketed, it is met by the lowest price in the year.

There are one or two observations I would call your attention to, which are not so authoritative, but which have come within the purview of men who have lived in Western Canada and marketed their grain therefrom. I refer to the year 1916. I have nothing to substantiate it, but it is my opinion from observation that 85 per cent of the farmers of Western Canada during 1916 sold their wheat for a price not in excess of \$1.50 per bushel. After the wheat was gone, what happened to the price? Getting along towards the spring, in April, May and June, the price commenced to climb and reached \$2.85 or higher. This became so serious in 1916 that the Federal Government—

Mr. McMASTER: May I interrupt you for a moment. Would that depend upon marketing conditions or upon supplies of wheat from other parts of the world coming on the market in those months, or the prospect of their coming on the market?

Mr. HAMILTON: In this connection I am simply stating an observation made by myself in connection with the marketing in 1916. I am a farmer, not a grain man, and I am not able to take into consideration all these matters of supply and markets, when answering your question. I would require a considerable knowledge of the grain trade in order to give you a straight answer to your question. I am simply making an observation on the marketing in 1916.

I was saying that the Dominion Government considered the conditions so serious that on July 11, 1917, by Order in Council the Board of Grain Supervisors was brought into existence and they fixed the price of wheat at \$2.40 a bushel. I might also refer to the years 1920 and 1921. These are more recent dates, and although the spread is not so great as it was in 1916, I would be prepared to offer the opinion that probably those in the grain trade took advantage of the war conditions to unduly boost the prices during 1916. In 1920 and 1921, the years just past, during which we as producers have been contending for the national marketing of wheat, there has been a very marked spread between the price during October and November and the months coming on towards spring. In this connection, is there any person in the whole grain trade whose business it is to secure the highest price possible for the wheat that is produced? We have a great many small producers who are located on farms in Saskatchewan and the other Prairie Provinces. Have they any influence in securing a price for their products? They may have if they are able to hold it back, but as conditions exist at the present time they are compelled to dump their wheat on the market as soon as it is threshed, or as soon as possible thereafter. The miller is not interested in securing for the producer the highest price possible for his product. The grain merchant is not interested in securing a high price, and the commission man is not interested in securing for the farmer a high price. He gets his commission whether it is 50 cents a bushel of \$1.50 a bushel, just the same. In the whole grain trade there

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is no person whose business it is to secure for the farmer the highest price for his product. I think this is an important consideration in dealing with this matter, especially under these very critical conditions. Up to this point I have tried to establish that there is need for some central system of marketing, and that central marketing control would assist in securing a higher price. The last consideration is: Is it justifiable, if we can do it? There is no doubt in the minds of the people of the Province of Saskatchewan, the Legislature representing all the people, rural and urban, the Grain Growers' Association representing the farmers, the Boards of Trade representing the city people, have all time and again during the past two years expressed their opinion in this regard. There can be no doubt about whether it would be justifiable or not, so far as the Province of Saskatchewan is concerned. What of the Dominion of Canada? We must look to the Dominion Government for some enactment and some assistance in this regard. I endeavoured at the outset to point out to you that Saskatchewan was largely rural. The same is true of the Dominion of Canada, if not to such a great extent. I have heard that matter referred to in the House since I have been here listening to your deliberations. During the last two days I have heard men from every party, without regard to the constituents they represent, whether rural or urban, indicate that agriculture was the main industry of the Dominion of Canada, and that upon the prosperity of agriculture depends the prosperity of all the people of this Dominion. In this connection, the figures of the 1921 census are not available, but from the 1911 census we gather that 54.47 per cent of the population of the Dominion of Canada is rural. What about exports? Because, after all, I think it is generally recognized that the prosperity of a country depends to a large extent on the amount it is able to export. The figures I am about to quote refer to the period previous to the war. I do not think it would be fair to quote figures as of the war period, because we know that more than \$2,000,000,000 was borrowed on the credit of this Dominion and used for the production of manufactured articles which went largely to assist in the carrying on of the war. I quote from the years 1912 and 1913: In 1912 the agriculture export products of the Dominion of Canada amounted to 53 per cent of the total products of the Dominion. In 1913 the export products of agriculture amounted to 54 per cent of the total export of this country. So I think it can be recognized and will be recognized, as I have heard it recognized by the members of the House of Commons, that agriculture is the basic industry of the Dominion of Canada. If the basic industry of this country is not prosperous, I do not think we can expect to have prosperity in any industry. If the agricultural people are not getting a fair return for the capital invested and labour expended, none of our people whether living in the cities and towns or on the farms, can hope to be prosperous. I am of the opinion that the reason that the period from about 1900 to 1913 was the most prosperous in the history of the Dominion of Canada was because of the encouragement that was given to the development of agriculture. The flow of immigration was stimulated, and the development of agriculture was greatest during that period, and consequently the greatest period of prosperity in the Dominion of Canada then took place.

There is another consideration which leads me to believe that such a course would be justifiable—

**Hon. Mr. MOTHERWELL:** I think it is unfair to interrupt such a comprehensive and capable exposition of the situation, but I would like to ask a question before I go. In view of the opinion of the law officers of the Crown, and also in view of our desire to get at some solution of this question, I have been digging up some of the Acts of Australia. Australia found a solution peculiar to itself, and inasmuch as its constitution is similar to our own, I think it would be interesting to know what has been done there. In four States of the Commonwealth of Australia—their respective component parts are designated "States" instead of "Provinces"—there has been concurrent legislation passed. I have here one Act passed by the Parliament of

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South Australia. This was supplemented, not by legislation by the Commonwealth Government, but by Orders in Council providing for their co-operation with the respective states in marketing their wheat during the buying times. The preamble is as follows:—

“Whereas owing to the continuance of the great scarcity of the means of transportation which resulted from the existence of a state of war the satisfactory marketing of the Australian wheat harvest of the season 1920-1921 is endangered: and whereas certain Ministers of the Crown of the States of New South Wales, Victoria, South Australia, and Western Australia have in a conference held for the purpose outlined a proposed scheme for concerted action by the Governments of the said States, in co-operation with the Government of the Commonwealth of Australia if it agrees to co-operate with the said Governments, or, failing such co-operation then independently of the Government of the Commonwealth, for utilizing on a fair basis the means of transportation available and for the marketing of the said harvest prices based on those obtainable on the overseas wheat market, with certain deductions: And whereas it is expedient to empower the Government of South Australia to join with the said Governments in settling the terms of the said proposed scheme, or any modification thereof agreed to by the said Governments, or in formulating any other scheme for concerted action for the purposes aforesaid, or any modification of any such other scheme, and to do all such acts, matters, and things as on the part of the Government of South Australia are necessary or expedient for the due carrying out of the said proposed scheme or of any such modification thereof, or of such other scheme or any such modification thereof: And whereas, during the year ending on the thirty-first day of December, nineteen hundred and twenty, the Minister in exercise of his powers under the Wheat Harvest Acts 1915 to 1919, has sold to various millers wheat for gristing into flour for Australian consumption during the said year, and may, during the remainder of the said year, sell to millers further wheat for the like purpose: And whereas it is desirable that flour gristed from such wheat, and whether remaining in the possession of millers or disposed of by them, shall not be accumulated for the purposes of sale after the expiry of the intended consumption period.”

Then Part 1 says:—

“2. (1) Except as otherwise expressly provided, this Act shall come into force on a day to be fixed by proclamation.

(2) The Governor may not make such proclamation unless he is satisfied that the Government of each of the states is prepared to join in the proposed scheme or any modification thereof as aforesaid or to join in formulating any other scheme or any modification of such other scheme as aforesaid.”

That is to say, they all passed Acts and held them in abeyance.

Then Part 2, is as follows:—

“The Premier of South Australia may join either with the Prime Minister of the Commonwealth and the Premiers of the States or with the Premiers of the States in settling the terms of the proposed scheme for concerted action in the marketing of the Australian wheat harvest of the season 1920-21 outlined at the conference hereinbefore mentioned or any modification thereof, or in formulating any scheme or schemes for concerted action for the like purpose or any modification of any such scheme or schemes, and may, on behalf of the Government of South Australia agree to any scheme or modification as aforesaid, and to do any acts, matters or things, necessary or expedient to carry the same into operation.”

I think I have read enough of this Act to make it possible for Mr. Hamilton to express his opinion as to how far this could be incorporated into our efforts to find a

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solution for our own difficulties. For instance, in the event of nothing better being evolved, what is his opinion with regard to the likelihood of adopting anything like this in the three Western provinces by means of concurrent legislation in co-operation with the Federal Government? In expressing his opinion, I do not expect him to commit his Government any more than I am committing my Government—I am now a member of a jury and am not expressing myself one way or the other, but am trying to get all the information possible—but I would like his opinion with regard to a scheme of this nature as likely to be applied to the Province of Saskatchewan? Does he think that the Legislature of the Province of Saskatchewan would look with any favour on such a scheme in the last analysis, if nothing better is arrived at?

Mr. HAMILTON: In endeavouring to answer Mr. Motherwell's question, I do not think I can give a very satisfactory reply, but I will say that it is my opinion that any system of marketing which does not embrace the whole crop will fall short of the benefits derived from national marketing as we had it under the Wheat Board. That opinion is confirmed in the Stewart-Riddell Report as it applied to the Province of Saskatchewan alone. Then with regard to a voluntary pool—

Hon. Mr. MOTHERWELL: These respective Acts can be made either voluntary or compulsory. I understand it is voluntary, but I have not gone through it; I just got it this morning.

Mr. McMASTER: Mr. Hamilton might give us his views.

Hon. Mr. MOTHERWELL: The constitutional question could not be raised, and it is optional whether it is voluntary or compulsory.

Mr. McMASTER: Supposing it is outside the competence of the Federal power to create this Board, would it be advisable to have by concurrent legislation of the three Western provinces with co-operation of the Dominion Government so far as their power lies the creation of a communistic, governmental system of marketing?

Mr. HAMILTON: If by concurrent legislation of the Federal Government and the provinces, or confirming legislation by the provinces, perhaps, it would be possible to bring in a system of marketing that would embrace the whole crop of the prairie provinces, I think it would be of great value. At the same time, it seems to me there are very great difficulties in the way of the provinces controlling the marketing of the whole crop of the provinces. Evidently it is the opinion of the law officers of the Crown that the Dominion Government cannot control it. We have had some experience in our endeavour to control the liquor traffic in the province of Saskatchewan, and have found it was not within our jurisdiction to prohibit a man having liquor in the province of Saskatchewan from selling it and shipping it to somebody outside Saskatchewan. If we cannot control the sale and export of liquor, I wonder if we would be able to control the export of wheat in our province. I think there are grave constitutional difficulties in connection with the control by the provinces of these matters within their own limits.

Hon. Mr. STEVENS: Has the Legislature of Saskatchewan ever considered the desirability or the possibility of marketing the wheat crop of Saskatchewan?

Mr. HAMILTON: That was the reason we asked Messrs. Stewart and Riddell to inquire into the question last summer.

Hon. Mr. STEVENS: What was the conclusion, based on that report?

Mr. HAMILTON: Their opinion was that unless we could control the whole crop we could not secure the maximum benefit, and we said we had better look to the Dominion Government to give us a Wheat Board such as we had in 1919, that would control the whole crop. If the Dominion Government have not the power to control the market within the provinces and the provinces have not the power to control the sale and export, it might resolve itself into a voluntary pool, but I am not prepared to give an opinion upon that at this time.

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Mr. GARLAND: I would like to ask Mr. Hamilton whether if the province does not possess the right then the Dominion Government should possess it, and if the Dominion Government does not possess it, the province must?

Mr. HAMILTON: I understand we have complete autonomy vested in the Dominion and Provincial Governments, and so far as the province of Saskatchewan is concerned, I have the authority of the Prime Minister to make this statement—and have reason to believe from the unanimous manner in which these resolutions were passed that our Government is prepared to co-operate in the most whole-hearted manner in the endeavour to bring about some centralized marketing system.

Mr. McMASTER: Can you tell me whether there are any other provinces that are substantial producers of grain?

Mr. HAMILTON: I have not the figures, but undoubtedly the provinces of Manitoba and Alberta are also substantial producers.

Mr. McMASTER: What about Ontario?

Mr. HAMILTON: I have not the figures for Ontario.

An hon. MEMBER: Do you exclude Ontario from the operations of that Board?

Mr. HAMILTON: No, and I am afraid we shall have difficulty if Ontario will not come in.

The hon. MEMBER: How is that?

Mr. HAMILTON: Because our terminal elevators are situated in the province of Ontario.

Hon. Mr. ROBB: When Messrs. Stewart and Riddell in their report referred to controlling the whole crop, did they mean the whole crop of Canada, or of the province of Saskatchewan?

Mr. HAMILTON: My impression is that they referred to the crop of Saskatchewan. They were inquiring into the question from the standpoint of the province of Saskatchewan.

Mr. JOHNSON (Moosejaw): Do not the figures which Messrs. Stewart and Riddell give, and from which you quoted as to the percentage marketed in October, November and December, refer to the entire western provinces?

Mr. HAMILTON: Yes.

Mr. JOHNSON: It would be taken as based on the entire western provinces as well although they were specifically instructed to inquire into the Saskatchewan problem. They necessarily had to widen their inquiry to take in the three western provinces?

Mr. HAMILTON: Undoubtedly; the same argument would apply with more force to the whole western crop.

I was trying to present an argument to justify the undertaking. I recited the importance of agriculture to the Dominion of Canada. It is my impression that the agricultural products have come down in price and that the depression has been along agricultural lines rather than any other line of production in the Dominion of Canada. The purchasing power of a bushel of wheat to-day is very much less than it was previous to the war, and I am not sure that that same condition exists with regard to the production of any other article in the Dominion. If it could be established that the purchasing power of farm products was less than the purchasing power of any other commodity produced in Canada, I think it is a strong argument for giving special consideration to the problem of marketing wheat at the present time.

Then there is the question of wheat being controlled during the war period. I do not think there are many producers of wheat that complain about the control that was exercised during the war. We received a fairly good price. The purchasing power of a bushel of wheat during the war was fairly satisfactory, and I think there was little complaint in that regard. I think there is, however, justification for special consideration of the problem of marketing our wheat in the fact that the usual channels of

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trade were interfered with during the war period. The war may be over, but we have the effects of the war with us still, and if such action was justifiable during the war as a war measure, my contention is that it is equally justifiable now, because we still have the effects of the war and will have them until the matter of adjustment has taken place to a greater degree. These are the arguments that I have endeavoured to adduce for justification of some of the steps being taken if it is found that some centralized marketing system would do some good.

Before concluding I would like to make one more suggestion, which does not refer particularly to the question of national marketing of wheat or any specialized marketing of wheat, but a general plea for agriculture. I take it that the Agricultural Committee have a particular interest in the agricultural industries of our country, and it seems to me that agriculture in the Dominion of Canada is facing a somewhat serious situation, which will affect the whole of our Dominion. We are producing farm products under a considerable handicap in the Dominion of Canada to-day as compared with the producers of agricultural products in some other countries. Our great grain producing farms are situated in the Prairie Provinces several thousand miles from the seaport. We are producing under conditions not advantageous to the economical production of wheat, and the long rail haul and high ocean rates put us at a disadvantage with our competitors, including the American Republic to the south of us, which is also a great wheat exporting country. They grow their wheat to a considerable extent as a by-product on their farms, which we in Canada are not yet doing, although I hope we shall very soon. In connection with the farming operations in the United States, there are other things carried on with the growing of grain on the farms, and production has been stabilized and is more economical than it is in Canada. They also have a greater home market, from which we have been excluded to a considerable degree.

Another great competitor is the Argentine Republic, which is close to the seaport and is able to place its grain on the British market more economically than we can, and Indian is in a similar position. When Russia comes back with its great areas of agricultural lands and its cheap labour and the thrift and industry with which those people will settle down at an early period, the outlook of the Dominion of Canada is not, in my opinion, very bright, and I do not think it would be out of place for this Committee to recommend to Parliament that investigation should be carried on and representatives of the Government should take into consideration the finding of markets for the productions of Canada so that when we are confronted with these conditions to which I have referred two or three years hence we shall not find ourselves unprepared to meet them. If you could see your way clear to bring these facts to the attention of Parliament and the Minister of Agriculture, I believe it may result in benefit to the future of agriculture in our Dominion.

I have endeavoured to point out these three phases of the situation, and I am now ready to leave the matter for your consideration.

MR. MILLAR: Permit me to read the questions submitted to the Stewart-Riddell Commission, and the answers thereto given by that Commission:—

"1. Is it possible for any kind of pool comprising less than the whole of the western wheat crop to market the crop to the same advantage from the producers' point of view as a system of national marketing of the whole crop by a Canadian Wheat Board?"

The CHAIRMAN: Are you going to base a question on this?

MR. MILLAR: I just wanted to point out that the answer of the Commission to that question is "No."

Hon. MR. HAMILTON: I stand corrected on that. I am glad you have corrected me.

MR. FORRESTER: I would like to ask Mr. Hamilton if the condition of which he speaks in the West is not entirely due to the fact that they were paying twenty cents [Hon. C. M. Hamilton.]



a bushel for threshing, twelve and one-half cents for oats, and so on? Is not that the real condition by which the farmers have been caught? I know it is the condition that has caught the Ontario men.

Hon. Mr. HAMILTON: That is part of the reason. It is, after all, the purchasing power of the products of agriculture, the purchasing power of a bushel of wheat, the purchasing power so far as labour is concerned, that is important. The purchasing power of a bushel of wheat, so far as other things are concerned, farm implements, etc., is affected just the same as it is with farm labour. It is in this period of readjustment of high prices all round that we are so vitally affected. We had no complaint during the war, but in the period of readjustment the products of agriculture have come down faster than have the products of any other industry.

Mr. WARNER: If central marketing takes place where will the advance to us in price come from, from the consumer or from a saving in marketing and cutting down expenses?

Hon. Mr. HAMILTON: I can only give you my opinion in that regard. I am of the opinion that the difference which the producer would receive would be made up to a considerable extent in the handling charges. It would also be made up—our market, after all, is fixed to a very large extent by the importing countries—during the period of our depression by the importing countries paying more for our wheat than they do at the present time. I think the greater part of that difference would come in the handling charges and the prices that importers would pay us. Just to clear your minds of the impression that I know exists—Mr. McMaster shakes his head, but I am just expressing my opinion—

Mr. McMASTER: I am not shaking my head at you. I said that possibly it must come through those two reasons, either handling it more economically or getting a better price.

Hon. Mr. HAMILTON: Yes. I am not so sure that the consumer in our own Dominion might not have to pay a little more if the price of flour was not also controlled, and the argument had already been adduced that the consumer would benefit by a greater amount than the producer. On the question as to whether the consumer did pay more during 1919 when we had national marketing than he would have paid otherwise, let me quote you the remarks of Mr. Stewart of the Canada Wheat Board:—

“Calculations made from the reports of the United States Bureau of Statistics indicate the average price paid to farmers at shipping points in the United States was approximately twenty-five cents a bushel less than that realized by the farmers in Canada.

“While this was so, the price of bread in this country, according to records of the Board of Commerce, was 1½ cents per pound less than that paid by the consumer in the United States.”

Mr. McMASTER: If you controlled the price of flour you would have to control the price of bread.

Hon. Mr. ROBB: During that period did wheat sell at the same price in the United States as the control price in Canada?

Hon. Mr. HAMILTON: This refers not to the control price, but to when the Wheat Board were selling it at a price they could secure.

Mr. MILLAR: Reference has been made to the high cost of labour. Is that difficulty aggravated by the mad rush of the farmers under present conditions to get their grain on the early market, hauling it to market when the threshing is still going on?

Hon. Mr. HAMILTON: Undoubtedly it has an effect. The farmer that gets his wheat on the market during the early weeks is at an advantage, and that has a tendency to cause him to employ more men.

[Hon. C. M. Hamilton.]



Mr. SUTHERLAND: You gave the income of the average Saskatchewan farmer as \$2,221.40. Is that confined entirely to grain?

Hon. Mr. HAMILTON: I said a wheat farm. There are many farms that have comparatively little income, little wheat for sale. They keep probably one or two cows and produce milk and butter for the use of the family. The same is true with regard to poultry and the products of poultry, and also with regard to hogs, and to some extent in connection with beef products.

Mr. SUTHERLAND: What proportion of that 54 per cent of the total export of Canada would be grain, and what proportion would be general agriculture?

Hon. Mr. HAMILTON: I would not venture an opinion on that.

Mr. JOHNSON: Mr. Hamilton made a statement that while they are largely grain farms there are many sections in Western Canada where they cannot produce commercially anything but grain. Even on these grain farms they produce considerable quantities of dairy products, sufficient to render it unnecessary for them to buy them?

Hon. Mr. HAMILTON: That is true.

Mr. SALES: You quoted the amount of wheat marketing by the farmer and the amount of wheat purchased by Great Britain, and I understood you to prove that we were marketing more than Great Britain was taking?

An Hon. MEMBER: Of our wheat.

Mr. SALES: Of Canadian wheat. If that is the case, to whom did we sell that wheat? Was it to the speculator, and did he carry it over until that market advanced and took the profit from it?

Hon. Mr. HAMILTON: I think what Mr. Sales says is correct. As I said, I am not a grain man, and do not know all the ramifications of the grain trade, but that has been the general impression, that the grain merchant in a very large degree purchases the grain and holds it for future delivery.

Hon. Mr. STEVENS: I think in your figures, which are very interesting, you showed that Great Britain purchased practically the same amount throughout the whole year?

Hon. Mr. HAMILTON: Yes.

Hon. Mr. STEVENS: Then how do you harmonize that with the suggestion that if we hold back a considerable portion and put it on say in the next quarter, January, February and March, the British market could absorb that any better than they do in October?

Hon. Mr. HAMILTON: The fact is we do ship regularly to Great Britain, but the producer does not market regularly. I am free to admit that the man who takes the wheat from the producer when he supplies it, whether there is a market for it or not, renders service. The question is, does he charge too much for the services rendered?

Witness retired.

The CHAIRMAN: Before proceeding with the evidence of the next witness, there are a few questions requiring the consideration of the Committee. The Hon. Mr. Motherwell asked me to suggest to the Committee for their approval or otherwise the advisability of appointing a sub-Committee to look into the South Australian Acts, and also to see if anything could be suggested which would be useful to this country. He suggested the names of Mr. McMaster, Mr. Stevens and Mr. McConica.

Mr. JOHNSON: Do I understand that this sub-Committee is to be appointed for the purpose of looking into the Australian system?

The CHAIRMAN: Yes, to take these Acts and look into them.

Mr. JOHNSON: Before action is taken on that I would like to state I have had prepared—not by myself—a resolution along similar lines, but have waited to see what action this Committee wished to take along the line of further investigation

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before putting it before you. I have no objection to the appointment of this sub-Committee, especially in the light of the report which has come from the law officers of the Crown, but if action is to be taken I would like an opportunity of presenting this resolution to the Committee?

The CHAIRMAN: What is the pleasure of the Committee with regard to Mr. Johnson's request?

Some Hon. MEMBERS: Let us hear him now.

Mr. JOHNSON: The resolution which has been prepared has been approved by a large number of persons interested. The law officers of the Crown say that the re-establishment of the Canada Wheat Board is ultra vires the Parliament of Canada. We cannot have it just as we want it, but we believe there is a way in which it can be attained, and in view of the statements made by the Hon. Mr. Hamilton, the legislation which I would like to submit for the consideration of this Committee is particularly well-timed, and it need not conflict with the suggestion made by the Hon. Mr. Motherwell. The resolution is as follows:—

"That the Agricultural Committee be authorized to appoint a sub-Committee of its members, with authority to confer with the Law Officers of the Crown and experts in the grain business, including Messrs. James Stewart and F. W. Riddell, and such others as it may deem advisable, to ascertain to what extent the Canada Wheat Board, or other compulsory national Wheat-marketing system may be established by this Parliament, with or without supplementary Provincial legislation."

I do not think it would be proper for me to attempt at this juncture to make argument in favour of the re-establishment of the Wheat Board, but I would like to elucidate one or two points in the resolution. If we accept the statement that the establishment of the Wheat Board as we had it in 1919, with all its compulsory features, is ultra vires the Parliament of Canada, we must also accept the statement made here today, and not contradicted, that if the power is not in the Dominion Parliament it is at least in the Provincial Parliaments. We consider this is of such vital importance to so many people, not only in regard to their prosperity, but to their very existence on their farms in Western Canada, that something should and must be done, and we wish to take this further step in order to attain that which we believe is the only thing which will furnish a solution. We asked that an investigation be made by the law officers of the Crown. I understood they were asked to give us their "reasoned opinion." They have done so, but it occurred to me at the time that their "reasoned opinion" would give us an indication as to what might possibly be done. They do give us a suggestion, but it does not give us anything practical to work on. The clause to which I refer is as follows:—

"It will be perceived that these powers naturally group themselves under two heads; there are enabling or facultative provisions, and there are compulsory provisions. As to those of the former class, I apprehend that Parliament has undoubted authority to constitute a board for the purpose of buying and selling, and to enable it to contract and to exercise such powers as are necessary or incidental to a voluntary undertaking."

The whole trouble seems to be in the buying of Canadian wheat. Further on in the same report appears the following:—

"While I do not suggest a doubt that conditions of export from the Dominion and foreign trade relations may be regulated by Parliament, I am impressed with the view that these powers cannot be made a cover for legislation which denies the freedom of contract, capacity to buy and sell and the maintenance and exercise of proprietary rights which exist under the provincial laws."

[Hon. C. M. Hamilton.]



That means, if it means anything, that we need to go to the provinces in order to attain anything. Mr. Hamilton has stated that the Government of Saskatchewan is willing to do all it can. I do not anticipate any difficulty with regard to the other provinces. In our resolution we have taken the liberty of naming grain experts who may assist us in endeavouring to ascertain to what extent the Canada Wheat Board can be made to apply, "or other compulsory national wheat marketing systems. . ." We have advisedly indicated in the resolution that we want the system to be national. As Mr. Hamilton in his evidence stated, and as the Stewart-Riddell Report states, nothing less than wheat marketing on a national scale can meet the requirements. It should also in a large measure have a compulsory feature. Then we may evolve a system of wheat marketing which will satisfy the producers of wheat and give them all the benefits of the Canada Wheat Board of 1919 without in any way whatever interfering with provincial rights or dominion powers to enact legislation. It must then be, as we ask "established by this Parliament, with or without supplementary Provincial legislation." The word "concurrent legislation" has been used. I am aware that in legal phraseology a word means a great deal sometimes, and "concurrent legislation" might be made to mean very many things where one would act independent of the other. This resolution asks the Dominion Parliament to go as far as it can, and when it can go no further then the Provincial Governments could supplement the legislation of the Dominion Parliament. At this stage I would like to move the resolution.

Mr. GARLAND: I have much pleasure in seconding that resolution.

The CHAIRMAN: Gentlemen, it has been moved by Mr. Johnson (Moosejaw), seconded by Mr. Garland: —

"That the Agricultural Committee be authorized to appoint a sub-committee of its members, with authority to confer with the Law Officers of the Crown and experts in the grain business, including Messrs. James Stewart and F. W. Riddell, and such others as it may deem advisable, to ascertain to what extent the Canada Wheat Board, or other compulsory national wheat marketing system may be established by this Parliament, with or without supplementary Provincial legislation."

If I may be permitted to say so, while this is not a very long motion, it is very comprehensive, and I would suggest to Mr. Johnson and Mr. Garland that it be laid on the table to be discussed on Monday. Messrs. Stewart and Riddell will not be here until next week, and it seems to me that the Committee could study this resolution over the week-end and discuss it more intelligently at our next meeting.

Hon. Mr. STEVENS: I do not wish to be understood to raise the slightest objection to this resolution, but I submit to the Committee that as Mr. Johnson has pointed out this is the product of careful consideration of certain members of the Committee. Now, it is only common courtesy to the remainder of the Committee that we should have a reasonable time in which to give it careful consideration. Without committing myself, I think at the moment that the resolution is a very reasonable one, but I would not like to be put in the position of voting on it pro or con without giving it consideration, and I therefore very strongly support the request of the Chairman.

Mr. JOHNSON: That is quite satisfactory to me, but I think I should state the reasons why I put it forward to-day. The chief reason is the one that the Chairman and Mr. Stevens have mentioned, that the remainder of the Committee may desire to give it consideration. Another reason is that the evidence and statements made by the Hon. Mr. Hamilton and also the statement by the Hon. Mr. Motherwell and by the Chairman in reference to the appointment of a sub-committee appeared to make this a particularly opportune moment to present the resolution. If there is anything wrong with the resolution we would like to have it remedied. If it is good, it will stand the test of careful consideration.

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The CHAIRMAN: Then this motion will be laid on the table until Monday, and will be the first order of business on that day.

Mr. JOHNSON: Will the resolution appear in the official record so that the members will have it before them?

The CHAIRMAN: There appears to be some difficulty in securing prompt service from the Printing Bureau in printing the reports of the evidence, and I therefore think we had better have sufficient copies multigraphed and delivered to the members of the Committee this afternoon.

There is also the question of the appointment of a Deputy Chairman. I understand it is customary in all the standing committees to appoint a Deputy Chairman as the first business of the Committee. That was not done, and I would ask now that the Committee nominate one of their members to act as Deputy Chairman.

Mr. FORRESTER: Is there anything being done about Mr. Motherwell's suggestion that a sub-committee be formed to examine the Australian Act?

The CHAIRMAN: The business now before us is the appointment of a Deputy Chairman of this Committee.

Mr. THURSTON: I move that Mr. McMaster be appointed Deputy Chairman of this Committee.

Mr. McCONICA: I second that.

Motion agreed to.

The CHAIRMAN: According to the schedule drawn up by the sub-committee we were to hear the Winnipeg Grain Exchange representatives on Tuesday next. I am informed that there is a very important meeting of the Railway Committee on that day, and I have been told that a great many members of this Committee would like to be present. The question has to do with a railway in Vancouver. I would like to have the opinion of this Committee as to whether you would rather attend the Railway Committee meeting on Tuesday?

Hon. Mr. STEVENS: I understand that Bill is going to stand over for a week.

Mr. GARLAND: I would like to ask if some arrangements could be made to have these meetings alternated. Quite a few of us happen to be on the Railway Committee, which is also an important committee.

Hon. Mr. STEVENS: The same thing applies to all committees.

The CHAIRMAN: This is a very important committee, and the only way in which we can allow our members to attend the Railway Committee as well as this one is to suspend our sittings. We have a great many witnesses, and we are anxious to get through, so I do not think we should adjourn when the Railway Committee meets unless it is something very important.

Hon. Mr. STEVENS: I understand that the Railway Bill in question is to stand over for a week.

The CHAIRMAN: I have wires from Messrs. Stewart and Riddell. Mr. Stewart says:—

"In view of decision arrived at by law officers of Crown respecting constitutionality of Wheat Board presume it is unnecessary for me appear Ottawa twenty-sixth as you requested. Kindly confirm.

[Sgd.) JAS. STEWART."

Mr. Riddell says:—

"Please wire me whether in view of decision of officers of Crown re Wheat Board Committee will continue sittings as previously arranged.

(Sgd.) F. W. RIDDELL,  
General Mgr. Sask. Co-op. Elev. Co.  
[Hon. C. M. Hamilton.]

These wires were brought up before the sub-committee and they thought it would be better to place them before the full Committee. I do not think there is any doubt about our decision in the matter.

Mr. McCONICA: Follow the programme.

The CHAIRMAN: We are a little behind in our schedule. Is it the wish of the Committee to meet this afternoon?

Mr. McMASTER: What about these witnesses?

The CHAIRMAN: I think we should hear Mr. Thompson on behalf of the Dominion Millers' Association and Mr. Hogg on behalf of the Toronto Board of Trade.

Mr. SALES: Do I understand that you will instruct the clerk to wire Messrs. Stewart and Riddell that we expect them to attend?

The CHAIRMAN: Yes.

Mr. GARLAND: With regard to the resolution moved by Mr. Johnson and seconded by myself which involves the appointment of a sub-committee, would that committee be expected to look into the Australian question?

The CHAIRMAN: I think that matter may be left over until Monday and discussed in connection with the motion.

The committee adjourned at 12.50 o'clock p.m. until 4 p.m.

(Statements handed in by the Hon. C. M. Hamilton.)

#### AVERAGE HALF SECTION WHEAT FARM

Investment—			
320 acres at \$25.. . . .	\$8,000		
Buildings.. . . .	2,000		
Stock and implements.. . . .	2,000	\$12,000	Total
Mortgage.. . . .	3,000		
Other indebtedness.. . . .	2,000	5,000	Total
Interest at 8 per cent.. . . .			400 00
Taxes .. . . .			90 00
Allowance for food, clothing, fuel, etc.. . . .			1,200 00
Labour, 1 man 8 months at \$60.. . . .			480 00
Board, at \$25.. . . .			200 00
Horse, maintenance at 8 months at \$60.. . . .			480 00
Seed, wheat 240 bush. at \$1.50.. . . .			360 00
Oats, 80 bush. at 75 cents.. . . .			60 00
Hail insurance, 200 acres at 60 cents., . . . .			120 00
Twine, 400 pounds at 20 cents.. . . .			80 00
Threshing wheat, 2,368 at 20 cents.. . . .			473 60
oats, 1,308 at 12½ cents.. . . .			163 50
			<hr/>
			\$4,107 10
Income—			
Wheat, 2,368 bush. at 80 cents.. . . .	\$1,894 40		
Oats, 1308 bush. at 25 cents.. . . .	327 00		
Total cost of operation.. . . .			\$4,107 10
Revenue.. . . .			2,221 40
			<hr/>
Deficit.. . . .			\$1,885 70
			<hr/>

#### GREAT BRITAIN BUYS HER WHEAT REGULARLY

	Bushels
Average shipments wheat and flour, 1905-1913.. . . .	217,424,000
1st quarter years.. . . .	59,040,000
2nd quarter years.. . . .	54,392,000
3rd quarter years.. . . .	49,672,000
4th quarter years.. . . .	54,320,000

WESTERN CANADA MARKETS ITS GRAIN

75 per cent Sept., Oct., and Nov.

	Bushels
Oct. 1913, Western Canada marketed.....	37,546,000
United Kingdom purchased.....	19,075,000
Nov. 1913, Western Canada marketed.....	30,946,000
United Kingdom purchased.....	16,918,000
1909, Oct. and Nov. Canada marketed.....	32,137,000
United Kingdom purchased.....	38,497,000
1910, Oct. and Nov. Canada marketed.....	31,944,000
United Kingdom purchased.....	41,097,000
1911, Oct. and Nov. Canada marketed.....	39,261,000
United Kingdom purchased.....	39,515,000
1912, Oct. and Nov. Canada marketed.....	47,170,000
United Kingdom purchased.....	43,905,000
1913, Oct. and Nov. Canada marketed.....	68,492,000
United Kingdom purchased.....	35,993,000

The Committee resumed at 4 p.m., the Deputy Chairman presiding.

The DEPUTY CHAIRMAN: We will hear now what Mr. Thompson has got to tell us. Mr. Thompson can just say with what business organization he is connected and if I might make the suggestion, he will do as little reading as possible because the spoken word is so much more effective than the written statement.

Mr. R. A. THOMPSON: called, sworn and examined.

WITNESS: Mr. President and gentlemen, I am president of the Dominion Millers' Association, formed of the smaller millers of the Province of Ontario, and some in Quebec, but principally in the province of Ontario. We have 160 mills in our organizations representing a capacity of 125,000 bushels per day, if we were allowed to run full time. In speaking of the small millers, gentlemen, in representing them perhaps, I come more closely in touch with the feelings of the farmers in our community than I do the millers. I am simply around there very much practically except when I am down here, but I am there very closely in touch with the feelings of my customers and my interests are completely bound up with them. I cannot get along without them. They perhaps could sometimes get along without me; and as representing them I want to give you our views on the question before you, as I understand the request to the Agricultural Committee that there will be or is to be, or is desired to be a Wheat Board the same as we had previously with the same powers, and doing the same work that that Board did. I am here as representing the small millers, as well to help if we can in the solution of the difficulties before you, because while we are in the East, a long ways away from the districts that a great many of you gentlemen represent, still so much are the interests of our farmers bound up with yours, and so much are our interests as millers bound up with yours as farmers that we feel it is our duty as representing the Dominion Millers' Association to come before you to help if we can in the troubles you have at the present time. You are asking for this same Board, with the same powers as the Board had before. Experience of the Millers in the East has been that that Board has been an arbitrary Board so far as the Millers in the East are concerned. We have in the records before us, and this is the record of the Board which I hold in my hand, a report of the Canadian Wheat Board for the season of 1920. Mr. Stewart, as Chairman of that Board, says on page 4, "The Board was instructed to sell the Canadian wheat crop of 1919 at any price which would bring the greatest possible benefit to the Dominion as a whole." As I said we have found the action of that Board pretty arbitrary so far as the millers are concerned. We interviewed them in reference to selling some flour for us. The milling capacity of this Dominion represents an investment of about \$20,000,000, one of the basic industries of our Dominion. An important industry from whatever point of view we look at it. We interviewed Mr. Stewart with regard to selling some flour for us, that we could make flour to supply the offal for our supply in the province of Ontario. He told us at that time that their business was to see that they got the very

[Mr. R. A. Thompson.]



highest price for wheat that could be obtained, and also to do that irrespective of the influence it might have on the other industries of the Dominion. In reply to that we interviewed, as members of the Dominion Millers' Association, the Minister of Trade and Commerce, Sir George Foster, and laid our complaint before him. Sir George Foster told us that was not the object for which the Board had been chosen, that it was not supposed to be for the purpose of injuriously affecting any of the other industries of the Dominion, and that he would bring this view to the attention of the Wheat Board and put our views before them. I believe he did that, but that did not have any effect upon the action of the Board. We went to them to get orders for flour on account of the crying needs that were coming to us daily in our mills in Ontario for the bran and shorts. Those proprietors of mills who live hundred of miles away from their mills do not realize the urgency as I do, right there at home every day, for that stuff. In order to supply it, as Mr. Rice told you the other day, we had to accept orders for Ontario flour on which the Board did not allow us one cent for grinding costs, and we only got back the price we paid for the wheat without any of the cost for grinding. We did this to help to supply our local trades to which we had been catering for the last 35 or 40 years. Some of the other mills, as Mr. Rice told you yesterday, got orders for flour and went to the Board to get permission to take the orders, and Mr. Rice mentioned yesterday a case in which he was interested in which the Board at first asked a surcharge or extra charge of \$1.25 per barrel to allow Mr. Rice and his company to supply this flour to the customer from whom he had the order. The result was that after some time he was enabled to get the Board to come down in their demand for the surcharge, but it was too late and the order had gone; therefore, he did not get the privilege of supplying that order. Mills were closed all over the province; we could not go on under these conditions. Mr. Rice also—

The Deputy CHAIRMAN: Do not bother us about Mr. Rice. Tell us about Mr. Thompson's experience. We have heard Mr. Rice's evidence.

Mr. THOMPSON: I am under your control, sir. I was also interested in the Ontario flour that Mr. Rice mentioned yesterday, that we were compelled to sell to the Board without one cent milling cost. In order to get this matter adjusted I went to Winnipeg some time later, and as president of the Dominion Millers' Association, interviewed the Wheat Board. I did not get down on my knees to them, but realizing the justice of our case, I put the matter to them as forcibly as possible, and requested them to give us some share of the profit they had made on the flour we had supplied to them under the circumstances. Their ears were closed to my appeal, and I did not get one cent of that. In looking over the report of the Wheat Board I see they handled over 5,000,000 sacks of flour—I am quoting from the Stewart-Riddell Report—on which they made a profit of \$6,277,000 after expenses were paid.

Hon. Mr. STEVENS: 98 pound sacks?

Mr. THOMPSON: 140 pound sack is the average, I believe. They made a profit of \$1.43 a barrel, figuring on 140 pounds to the sack. It does not say in his report that they were 140 pound sacks, but I think that is the basis.

Mr. SALES: What was the profit?

Mr. THOMPSON: \$6,277,048.

Mr. SALES: Do you prefer questions as you go along?

Mr. THOMPSON: I am at your service.

Mr. SALES: Then I would like to ask you who if the farmer had sold his wheat outright at \$2.15 a bushel instead of having a Wheat Board handing the profit to the farmer on his participation certificate, would have got the profit of \$6,277,000 on that flour?

Mr. THOMPSON: I do not know, but I do know that we had already given you a profit of 40 cents a bushel on that wheat.

[Mr. R. A. Thompson.]

Mr. SALES: No, the Wheat Board did not make that profit for themselves. It was divided amongst the farmers afterwards on their participation certificates. But if there had been no participation certificates and we had sold our wheat at \$2.15, who would have got that profit if the wheat had been handled in the ordinary way?

Mr. THOMPSON: I think I can say fairly and honestly that there was never a milling concern that got \$1.43 a barrel profit after all expenses were paid unless they had the flour given to them, as it was in this case.

The Deputy CHAIRMAN: In other words, if I correctly interpret your answer, the Wheat Board got certain wheat ground for them for nothing, and that explains part of the profit they made?

Mr. THOMPSON: We ground it for them without the milling costs. We simply got back the value of the wheat we paid for, and that wheat, as I understand from the report, had given the producers a profit of 40 cents a bushel on the price we gave them.

Mr. SALES: When you started out to mill wheat under the Board, were not the millers called together and asked what their milling costs were, and were not those costs stated by yourselves, and was not the price that should be charged for flour set after ascertaining the difference between the cost of the wheat and your cost of milling?

Mr. THOMPSON: I am very, very sorry to say they did not stick to that at all. A milling concern in Montreal offered to submit their books to them for examination, and they said, "Gentlemen, we don't believe you." I know whereof I speak, because we simply got back a dollar for the other dollar we paid out for the wheat, and that accounts for the \$1.43 that went into your pockets; it went to swell the profits of the Wheat Board. It represents, in round figures, one-tenth of the value of the profit you got on your wheat.

Mr. JOHNSON (Moosejaw): Does the witness mean to say there was a profit on the wheat of \$1.43 per barrel?

Mr. THOMPSON: On the flour.

Hon. Mr. STEVENS: Made by the Wheat Board?

Mr. THOMPSON: Yes; not by us.

Hon. Mr. STEVENS: Mr. Chairman, I think we should endeavour to have that point cleared up. As I understand it—and I would like Mr. Thompson to correct me if I am wrong—the Wheat Board sold the wheat to the millers at \$2.30 a bushel, but during that period wheat advanced, and the Wheat Board advanced flour correspondingly with the wheat, so that when this flour was sold at the advanced price it made a profit of \$1.43 a barrel, but that was not sold at the price of \$2.30 that the millers were buying their wheat at. The Wheat Board's policy was to give to the farmer the profit they made on their wheat transactions. I do not think we should charge the millers with making \$1.43 a barrel.

The Deputy CHAIRMAN: I understand it was the Wheat Board that made a profit of \$1.43 per barrel of flour.

Mr. SALES: Under the ordinary system of selling wheat with an advance in price, where would that money have gone? I know it went back to the farmer in the shape of participation certificates but I want to know where it would have gone under the ordinary course of conducting our business? I am sorry to hear that the Wheat Board did not believe the firm of Montreal millers that offered to submit their books for examination, but I am reminded of a story in point:—

"Q. What do you know, John?

"A. I know the miller has got fat hogs.

"Q. What don't you know?

"A. I don't know whose corn feeds them."

[Mr. R. A. Thompson.]



The Deputy CHAIRMAN: The miller has had a bad reputation since Chaucer's day, but I am sure we all appreciate the facts which this gentleman has stated. It seems to be perfectly clear that part of the profit which was realized by the Wheat Board on their sale of wheat, either in the form of wheat or flour, was due—he says at least 10 per cent was due—to the fact that they got a great deal of this wheat ground for nothing.

Mr. THOMPSON: Yes. I am also reminded of a story to the effect that there is a hair growing in the palm of the honest miller's hand, but it takes an honest man to find it. Here is the report: "Net profit on flour transactions, \$6,277,048."

Mr. PRITCHARD: You took 40 pounds out of your 60 pounds of wheat that entered into that barrel of flour. What about the other 20 pounds?

Mr. THOMPSON: What do you mean?

Mr. PRITCHARD: I am basing this question on the evidence we have listened to during the last two or three days, that it took so many bushels of wheat to make a barrel of flour. You took the price of wheat to estimate your cost of flour, and you put 40 pounds of flour out of your bushel of wheat into that barrel. What about the other 20 pounds?

Mr. THOMPSON: It went in there too, in money. We paid so much for the wheat, and that I believe, gave the Wheat Board 40 cents profit, according to their report. After we had paid for the wheat and got the money for the flour, and also the bran and shorts, we did not have one cent more than we paid for the wheat.

Hon. Mr. STEVENS: Including the bran and shorts?

Mr. THOMPSON: Yes. "Net profit on wheat transactions, \$59,665,000; net profit on flour transactions \$6,277,000." Therefore I think I was correct in stating that your profit was more than 10 per cent of the profit on your wheat service.

Mr. MILLAR: Do you consider the injustice you have spoken of—and others have spoken of—as a natural outcome of the existence of the Wheat Board, or because of arbitrary management?

Mr. THOMPSON: I consider it was arbitrary management on the part of the Board carrying out what they said were their instructions.

Mr. MILLAR: It need not follow that the millers would suffer any such injustice if there were different management.

Mr. THOMPSON: No, it need not follow.

Mr. MILLAR: It is really not much of an argument against the re-establishment of the Wheat Board.

Mr. THOMPSON: I am starting out from the standpoint that you want the same Board with the same powers that they had before.

Deputy CHAIRMAN: And the same personnel?

Mr. THOMPSON: It has been mentioned.

Mr. FORRESTER: Is it not a fact that if you put arbitrary powers in the hands of the ordinary man, in nine cases out of ten he is very apt to use them?

Mr. THOMPSON: My experience justifies that assumption. It is not advisable to give any man or body of men too much power.

An hon. MEMBER: Do you mean to say that the entire wheat crop was ground for nothing?

Mr. THOMPSON: No, I did not say so.

The hon. MEMBER: Just the one transaction?

Mr. THOMPSON: Yes.

Mr. JOHNSON (Moosejaw): How much would that involve?

[Mr. R. A. Thompson.]



Mr. THOMPSON: The total grindings of the Board, the total flour they handled, would represent about 15,000,000 bushels, so far as I can tell.

Mr. SALES: But this one transaction you ground for nothing?

Mr. THOMPSON: I cannot remember; it was quite a large order for Ontario flour.

Mr. SALES: If much of that wheat was ground under those circumstances your year must have resulted in a financial loss? I do not want to ask any personal questions, but do you mind telling the Committee exactly what the result of that year's operations of your Company was as compared with other years?

Mr. THOMPSON: I cannot say from memory to-day.

Mr. SALES: Surely you know whether you made a loss or a profit?

Mr. THOMPSON: We made money.

Mr. SALES: So you really did not suffer very much injustice?

Mr. THOMPSON: Was it a fair thing, my friend, for us to work for nothing, even in a war year?

Mr. JOHNSON: Was not a fixed charge guaranteed to the millers by the Wheat Board for milling?

Mr. THOMPSON: No.

The DEPUTY CHAIRMAN: He says "No."

Hon. Mr. STEVENS: That is in this instance?

Mr. THOMPSON: And in practically every instance in which we had orders from the Board.

Mr. SALES: But you did make money that year?

Mr. THOMPSON: Of course we did. Should we not make money?

Mr. EVANS: Was it right for him to make money and give it to you?

Mr. SALES: No, he made it and kept it.

WITNESS: That is one of the objections that we have to the formation of another Wheat Board such as you have had. We are objecting not in our own interests only, but in the interests of our mixed farmers who are urgently wanting the bran and shorts that we could not supply them in that year, because we could not get the order for the flour.

Mr. SALES: I protest. This gentleman is here to place the question of the millers before this Committee, and I think the question of the funds can safely be left in the hands of the farmers.

The DEPUTY CHAIRMAN: If I am asked to rule upon that, I would say if he is living in an agricultural district, depending on the prosperity of his customers, and his customers are farmers, that he can think of his customers as well as of his own interests. It is perhaps enlightened self-interest. Let us put it that way.

Mr. THOMPSON: I might say in reference to what your worthy Chairman has said that it must be of interest to me because I am depending on those fellows who come to my mill with their grist and their wheat for sale, and their bran and shorts. It was not as if I had a 25,000-barrel mill and used several mills for my production. I am right there every day. There was a man came one day and wanted a bag of bran for a sick cow. I did not know him at all. I went into the mill. The mill was standing that day. I did not know until I went into the mill whether we had that bag for the man or not. Is it any interest to me whether I supplied bran and shorts to that man or not?

Mr. THURSTON: The speaker has intimated somewhat similar to what one of the witnesses' figures did yesterday, that on account of having the Wheat Board that they confined the sale of flour, or controlled it to some extent, that the mills were not able to grind enough wheat. Now, I would like to know if that was the case then, why is it we cannot get by-products enough now? I am a purchaser of mill produce

[Mr. R. A. Thompson.]

and flour and we have had trouble right along in getting bran and shorts. Our little mill that I am manager of cannot get bran and shorts to-day unless we buy some flour.

Mr. THOMPSON: I might say in reference to that, that if we had the opportunity of running our mills and there was a chance to do it because the world wanted our stuff they had money to pay for it. To-day it is a different thing. To-day the financial problem in England is a serious thing. To-day we are faced with inequality of freight rates, on which account I was up before the executive of the cabinet the other day. We are up against our own steamships wanting to charge six cents a hundred more for our stuff than we can get it sent over from the American side for. These are troubles we had.

Mr. THURSTON: This condition prevails not only now, but has prevailed several times between the expiration of the Wheat Board and the present day.

Mr. THOMPSON: The same troubles existed last winter, too. One other trouble we have due to the Wheat Board's action was this: Up to the time they were preparing to decontrol they fixed the price to us and we paid them the price in order to get wheat. About the 21st August, 1920, they sent to us, "We want to know—we want to have a statement of the stock you have on hand and we are willing to take it off your hands at the price you paid for it, whatever stock you want to give back to us. We want to know that by the 24th August because we want to ship that out, take it away from you." A good many millers gave back what they did not require for export because there was no chance to export at that time at the price. When the prices went up the Wheat Board said to us, "You give us a sworn statement of every pound of flour you have on hand and every bushel of wheat you have on hand and you pay us the advance on the wheat and the flour," which we were compelled to do. At the end of August we required certain quantities to keep our mills grinding to meet the local need until we could get some of the new crop. They decontrolled it and instead of allowing us—the markets were practically about twenty-five cents a bushel less than we had paid for the wheat at that time—instead of allowing us anything for the flour we had on hand or for the wheat we had to keep for our local needs they simply ignored our request, and did not give us any allowance although they had changed it for every pound of flour and every bushel of wheat when the advance came. We considered that unfair, that after paying, I believe it was one dollar a bushel, we had to pay to the Board for the wheat we had at that time.

Mr. SALES: At that you made money.

Mr. THOMPSON: In spite of that. Here is one thing that I think I had better call to your attention, the position of the ordinary small miller in Ontario. Take my own for example, take me for example of the ordinary small miller there. I have a 100-barrel mill. I deal in coal; I deal in hay; I deal in salt; I deal in cement; I deal in turnips; I deal in a whole lot of things that help to make up my profit if there is anything at the end of the year. If I had been living on the profits of the mill for the past fifteen years, I would not have been here. I would have been in the poor-house. But in working these things together, I can serve my community and I can keep myself going.

Mr. McCONICA: You don't hold the Wheat Board responsible for the whole fifteen years, do you?

Mr. THOMPSON: Not quite, no.

Mr. EVANS: Can the witness give us any figures comparing the amount of flour and grain with other years?

Mr. THOMPSON: No. My grindings in 1919 were small.

Mr. MILLAR: I understand you represent the small millers. May I ask if the keen competition on behalf of the very large millers makes it difficult for you to make both ends meet? Do they cut prices at points where you come in competition with them? That is, do they sell for less at those points than they do at other points?

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Mr. THOMPSON: I don't grind much hard wheat. My business is confined practically to grinding the soft Ontario that we have, and therefore in that way I don't come in competition so much with the hard wheat situation.

Mr. MILLAR: This gentleman says he represents a large association.

The DEPUTY CHAIRMAN: Perhaps you might answer that question generally. As a matter of practice do the large mills reduce prices at points where your smaller mills are competitive factors?

Mr. THOMPSON: I would say this, they say their prices are uniform. I am not in touch enough with the hard wheat situation to know.

Hon. Mr. STEVENS: Have you any complaint to make in regard to the unfair competition of the bigger millers, your association.

Mr. THOMPSON: We complain of competition all the time, or opposition. I am practically the only fellow that sells things at the right price.

Mr. SALES: Would you remind him that he kissed the book?

The DEPUTY CHAIRMAN: Yes, he has kissed the book.

Hon. Mr. STEVENS: That is not very good evidence though.

Mr. THOMPSON: Now gentlemen, these are the troubles we had with the Wheat Board with the arbitrary action of the Wheat Board, with their action contrary to what we think they were appointed for, and contrary to what we think they should have done, and they acted in an injudicious, hard arbitrary manner with the Ontario miller, and we cannot say anything else, because it is a fact.

Mr. MILLAR: Would you say that is the fault of the Board or the Personnel of the Board. I don't wish to embarrass you.

The DEPUTY CHAIRMAN: I don't think he is embarrassed.

Mr. MILLAR: He made the statement repeatedly here that in 1919 or the year the Wheat Board was in operation that the mills did make money. I would like to ask you if under present conditions without going into details if they are making money?

The DEPUTY CHAIRMAN: I don't mind him answering the question, but I don't see the point.

Mr. MILLAR: He also makes the statement and substantiates it from the report of the Wheat Board, that the Wheat Board made a profit of over \$6,000,000 from the flour they handled. That seems to be his complaint against the Wheat Board, that the Wheat Board make a profit of over \$6,000,000 from the flour they handled. I want to know what he thinks should have become of that profit if it should be added to the profit that he made, or if there is any prospective in the next year and if he thinks it should be added to the profit he is going to make this year. The \$6,000,000, Mr. Chairman, is said by Mr. Stewart to be profit. I presume that is correct. What I object to is that there is some of that profit in there belonging to me. If it had not been for me you could not have made it. We had already paid you 40 cents a bushel profit on that wheat.

Mr. McCONICA: You think you should have that in addition to the profit you did make?

Mr. THOMPSON: I did that for you.

Mr. McCONICA: Did not you tell us that you made money that year?

Mr. THOMPSON: Yes.

Mr. JOHNSON: And you want to make this \$6,000,000 more?

Mr. THOMPSON: I did not say so. I contend, and I think you as reasonable men will agree with me, that all we wanted was a fair proportion of milling costs on the wheat we ground for the Board.

The DEPUTY CHAIRMAN: Your contention is that you did not get it.

[Mr. R. A. Thompson.]



Mr. THOMPSON: Yes. What is the request for this Board for? To make profit for you for your hard working efforts day by day. You and I may occasionally work for the benefit of our health, but we do not generally do so. We want a little profit to lay aside as the years go by.

Mr. EVANS: It is not quite clear to me yet in what way the witness arrives at the fact that they milled this wheat for nothing.

Mr. THOMPSON: The Board said "We will give you the wheat at a certain price—\$2.30—and we will give you so much for your flour,"—whatever it was. But when we ground that out we found that the price they had given for the flour just equalled the price we had paid them for the wheat, the bran and shorts included.

Mr. EVANS: I am glad to get that statement, because I think it is most important.

Mr. THOMPSON: It was a very important matter to us. I went to Winnipeg and tried to get them to see our position, and asked them with all the power at my command for a share of that profit.

Mr. STEVENS: Did they admit the fact that you had ground it for nothing?

Mr. THOMPSON: Admit it!

Hon. Mr. STEVENS: I am not joking.

Mr. THOMPSON: It was a serious thing for us.

Hon. Mr. STEVENS: Did they admit you had ground this wheat without any milling charges?

Mr. THOMPSON: They knew it.

Mr. STEWART: You say a deal was made with the Board that they would sell you the wheat at a certain price and pay you a certain price for the product. Was it the miller that made a mistake, or did the Wheat Board gouge you?

Mr. THOMPSON: We knew it at the time.

Mr. STEWART: Why did you make the deal with the Wheat Board?

Mr. THOMPSON: Because we had to get bran and shorts for our customers.

Hon. Mr. STEVENS: Is not that practically your whole case, so far as you are concerned, against the Wheat Board, that they interfered to such an extent with your operations that you were unable in this case to mill for a profit?

Mr. THOMPSON: Yes.

Hon. Mr. STEVENS: And, in other cases, you contend the interference has been such as to jeopardize your business? I am not saying that is correct, but that is your contention?

Mr. THOMPSON: Yes.

Hon. Mr. SEVENS: I do not know what good we can do by continuing to thresh out all the details here unless we examine the books of the company.

The Deputy CHAIRMAN: I do not want to interfere, but I would like to suggest that the discussion be so controlled that we do not spend too much time on one point.

Mr. JOHNSON: Yes; we can get the other side from the Wheat Board.

Mr. MILLAR: Perhaps Mr. Thompson may agree that the reason was the difference in the ocean rates between the flour and the wheat.

Mr. THOMPSON: Not at that time.

The Deputy CHAIRMAN: Whatever their motives were, it is the effect upon the milling industry that we are discussing now. Is there any other aspect you wish to put forward, Mr. Thompson?

Mr. THOMPSON: I was just going to remark that the action of this Wheat Board did not carry out what we expected, as contrasted with the Board in Australia. The Board in Australia gave the millers their wheat at slightly less than they could get for export, in order to keep the offals at their home. That was the action of the

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Board in Australia, and we thought that something along the line of helping the millers—as Sir George Foster believed should be done—to supply the needs of our Dominion should have been done by the Wheat Board.

Mr. SALES: Did not they do that?

Mr. THOMPSON: No.

Mr. SALES: They started to sell you wheat at \$2.30 a bushel and retained that price until the end of the year. Is that correct?

Mr. THOMPSON: I do not remember the time it was changed.

Mr. SALES: We have Mr. Watts' evidence on that point.

The Deputy CHAIRMAN: Mr. Johnson made a wise interjection a moment ago. He said we would get the other side of it from Mr. Stewart and Mr. Riddell. There is no use trying to convince Mr. Thompson.

Mr. SALES: My point is that is that there was a gradual increase in the export price all the time, and at the end of the year they advanced it 50 cents a bushel, so that you must have been enjoying the low price of wheat during the whole of that time.

Mr. THOMPSON: Yes, but the Wheat Board controlled the price of flour all that time.

An hon. MEMBER: In my constituency we have two or three small millers, and I feel I am stating their feeling when I say they are opposed and were and will be opposed to the formation of another Wheat Board. At the same time, they claim that the rulings of the Wheat Board—for they gave me to understand this—were fair to the large millers, that the large millers with modern machinery were able to grind a little more flour out of the wheat than the smaller millers could. Was the ruling of the Board fair to the large millers? We will agree it was unfair to the small millers.

Mr. THOMPSON: There was also, I might say, a very vigorous kick put up by the large millers against the hardships that they were compelled to endure under the action of the Wheat Board. I think their objections would be well-founded, because there would be certain conditions applying to me that would not apply to them, and other conditions applying to them that would not apply to me, and they would have worked out on an equality.

Mr. EVANS: Am I right in deducing from your evidence that your mill was idle part of the time that it should have been running owing to the arbitrary action of the Wheat Board?

Mr. THOMPSON: Yes.

Mr. McCONICA: This Wheat Board was appointed at the request of the Secretary of the Millers' Association, and if it went wrong the millers were primarily responsible?

The Deputy CHAIRMAN: I suppose there is no answer to that?

Mr. THOMPSON: Yes, I might say there was never a thought in the minds of the Dominion Millers' Association—which believed it was doing the best thing for the country as a whole—that the action of any Wheat Board appointed by the Dominion Government to control the sale of wheat would take the millers by the throat and treat us as the old Wheat Board did. We believe they did not act in accordance with the ideas of the Government when they were appointed.

Mr. SALES: They did not.

Mr. JOHNSON: In view of the statement the witness had just made, I suppose he would be satisfied with a Wheat Board such as they had in 1919?

Mr. THOMPSON: Not the identical Wheat Board, with its action of 1919 and 1920.

Mr. JELLIFF: Is Mr. Thompson opposed to the principle of the national handling of the wheat crop?

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Mr. THOMPSON: I am not opposed to anything that is in the best interests of Canada as a whole.

The DEPUTY CHAIRMAN: Do you really believe it is a good thing?

Mr. THOMPSON: I am opposed, gentlemen, to a compulsory Wheat Board, as I do not think it will work out in the best interests of the whole Dominion.

Mr. JELLIFF: If I recollect rightly, your Millers' Association requested and urged the establishment of the Wheat Board because the United States had gone out of the export business in 1918 and would ship no more grain to Europe, and you thought it was a good opportunity for Canada to make the best of the remainder of the 1918 and 1919 crops? You cited, I believe, the fact that the United States was back of their wheat handling proposition with some similar grain board and \$1,200,000,000. At the present time the United States is backing with hundreds of millions of dollars the disposition of the crops of the farmers in that country, which puts us in Canada, it seems to me as an ordinary farmer, in pretty nearly the same position as we were at that time. Under these conditions, I want to know whether you are opposed to the Wheat Board in principle?

Mr. THOMPSON: As I understand it Norway and Sweden are the only countries in the world to-day that are under control.

Mr. SALES: And New Zealand.

Mr. McCONICA: You have a central buyer?

Mr. THOMPSON: Yes.

Mr. McCONICA: What is the objection to a central seller?

Mr. THOMPSON: No objection, if you want him; but we are not compelled to go to Mr. Watts to buy. We are perfectly free and independent; in fact, we often pass him by.

Mr. SALES: The Government of New Zealand has this year guaranteed the price of the crop from 5/ 8d. to 6/ 5d. a bushel.

Mr. JELLIFF: I would like to continue my question as to whether—leaving out the matter of the control of the sales of your flour product—the millers would be agreeable to some such system as was carried out by the old Wheat Board? You want to buy as you please and sell as you please, and it occurs to me that you should not object to the farmers selling as they please.

Mr. THOMPSON: They are perfectly free to sell as they please if they wish, and I also want to be perfectly free; but in my opinion you cannot be perfectly free under compulsion.

Mr. JELLIFF: Would it be possible for the farmers to sell their product as they see fit and to place the sale of their wheat in the hands of a Board without interfering in any way with the millers in the selling of their flour?

*By Mr. Thompson:*

Q. If I wanted to buy wheat I would be compelled to go to that Board?—A. Could you interfere? If I wanted to buy wheat I would be compelled to go to you.

Mr. ARMSTRONG: Might I ask the witness if he would have any objections—he is a man who mills wheat. Has he any objection to the exporting business which the millers don't want being under control?

Mr. THOMPSON: I don't understand the question.

Mr. ARMSTRONG: The point is the millers buy a certain quantity of wheat, they are not interested in any wheat but what they buy. Would you object in any way to the Wheat Board, compulsory Wheat Board, if you like, taking charge of all the export wheat?

Mr. THOMPSON: Export wheat?

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Mr. ARMSTRONG: Not unless the mill or anything, provided such a thing were possible, if you had a source of supply.

Mr. THOMPSON: It would depend on how they would exercise the compulsory power they would have according to that.

Mr. ARMSTRONG: But the millers are not interested in export wheat.

Mr. THOMPSON: But we are interested in the exporting of wheat, whether it is in the shape of flour or wheat.

Mr. ARMSTRONG: I am trying to find if you are agreeable that far.

Mr. THOMPSON: I might just explain, gentlemen, our position on that. On Wednesday, we asked members of the Committee to see that we were not discriminated against by the Board of Railway Commissioners in the freight on wheat in comparison with the freight on flour. Ex lake ports there is a discrimination against us of 6.83 cents per hundred. That Board might say we are interested specially in the export of wheat, we don't care about the export of flour. It might work a hardship on the miller in that way. Personally I think, representing the views of my association, that we can agree with you gentlemen that a compulsory Wheat Board would be the best thing for the Dominion as a whole. If you wish to have a believer of the Wheat Board to help you and we can help you in any way in connection with it, depend on it we will help you with anything we can along that line.

Hon. Mr. TOLMIE: Would the Wheat Board affect the price of flour to the consumer, and to what extent?

Mr. THOMPSON: Mr. Watts, I think, the other day proved by the orders of the Board that when wheat went up flour was also ordered to go up.

Hon. Mr. TOLMIE: In our part of the country we produce not very much wheat. But other things we have to sell and we have to sell it according to the market. Some are pretty high, and some others not, therefore, the mill men have to buy mostly all their flour and if there were much effect in having a Wheat Board it would not be to the interest of the consumer, those who have to buy the flour.

The DEPUTY CHAIRMAN: We have another witness whom I would like to get rid of this afternoon so that he won't have to come back Monday.

Mr. MILLAR: I understand, Mr. Thompson, that the millers were permitted to export most of their flour and sell it themselves, rather than the Wheat Board. I would like to ask if the millers were able to get as good ocean and insurance rates as were the Wheat Board?

Mr. THOMPSON: The Wheat Board controlled the selling of flour and we sold it to them if we wanted to sell it to them.

The DEPUTY CHAIRMAN: Mr. Millar's question is do you know whether the Wheat Board were able to get better transportation terms than the big millers who do exporting as the usual thing.

Mr. THOMPSON: As a small miller I cannot say because I do not come in contact with this particular part.

Mr. GOOD: I wish to point out a matter in which I think there is a misunderstanding between Mr. Thompson and several gentlemen here. I think it had better be cleared up. I understood Mr. Thompson to say he had made money in 1919. I think some of the gentlemen understood that to be that he made money on his mill business, yet there seemed to be a little doubt as to whether if he had made money on his mill business in that year, he had the right to claim this extra money which he claims has gone in another direction. I think in justice to him that matter had better be cleared up. I would like to know whether he made money in that year on his milling business or in other lines associated with his milling business.

Mr. THOMPSON: I think we made a few dollars, not nearly as much as we should have done if we had had a chance to handle the grain properly. We had a splendid

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address from Mr. Hamilton this morning, but there is one thing that I wish to call to your attention in handling the Wheat Board. As I understood it, the desire of this Committee, the desire of the Wheat Board is that they should handle the wheat, or as it were, feed it out to the trade as the trade is ready for it, that is what I understand. That is the desire; and if you had this Wheat Board that is the way you would have them do it, that your deliveries in the first three or four months are so big and then they slump the market. Such is the idea I have of your desire. Mr. Stewart says that in the first four months of his regime up to the 31st December, 50 per cent of the wheat had been disposed of. That was his plan under the control, to dispose of the wheat that he had on hand. In that case he was not carrying out what you desired to have because he says in his report here that 50 per cent was sold by the 31st.

Mr. ARMSTRONG: He does not say more was not delivered. There is 100,000,000 storage capacity in the West. He may have sold 50 per cent, but 75 per cent was delivered.

Mr. THOMPSON: That is what I said, 50 per cent has been sold.

Mr. ARMSTRONG: I agree with that.

Mr. THOMPSON: I hope I make it clear to you, that we are here to assist you in any way we can, and there is one thing that came to my mind in connection with Mr. Hamilton's remarks this morning and that was that you were giving 20 cents and 12½ cents for your threshing on wheat and oats, or in other words you were giving 25 per cent of the value of your wheat, and 50 per cent of the value of your oats for threshing. Now you have the farms, you have the horses, you have the implements; you have worked a year to get that crop and after you have got that crop of oats you have a man come in there for a few hours, and you give him half of that, and then you have to draw it to the station.

Mr. McCONICA: Now, if we did not have to thresh so rapidly in order to get ahead of the other fellows, wouldn't we be able to spread that operation over a longer time and not require so many men and be able to thresh it a good deal more cheaply, whereas now we thresh in about 10 days and everybody wants to thresh at once. We pay any price that is demanded to get in on the first market. If we had plenty of time, couldn't we get it done at less price?

Mr. THOMPSON: To my mind the fact that you were paying 50 per cent of the value of your crop to get it threshed, that you are paying 25 per cent of the value of your crop for getting it threshed is an outrage. In the years gone by the miller was controlled by legislation as to the toll he would take. We could not take in the old days of gristing over a certain amount. Now, your legislature surely would have power to help you along in that line and wouldn't it be a help.

The DEPUTY-CHAIRMAN: Perhaps the threshers would not come in unless you paid them that.

An Hon. MEMBER: You could get a compulsory Threshing Board.

The DEPUTY-CHAIRMAN: They are all against compulsory threshing.

Mr. McCONICA: The facts are that under the present system there is as much money invested in threshing outfits as there should be. There are more outfits than there should be and everybody is out for help. The result is that the price of help is away up and the whole cause of the matter is that the fellow who owns a threshing machine runs it only fifteen or twenty days when he should run it forty days, due to the fact that everybody is anxious to get his crop into the market first. Would not that be relieved if we had plenty of time to get our threshing done and our wheat delivered? The thresher is as poor as anybody else.

Mr. SALES: He did not enlarge his point sufficiently, for this reason, that everybody is afraid of that market going down, and we all rush our threshing as fast as [Mr. R. A. Thompson.]

we can and bid over each other for men. What else can we do? The banker says "Get your wheat to market. It is not safe to hold it. It is going down." The machine men say the same thing. Every agency in the West is used to influence the farmer to thresh his wheat as rapidly as he can and put it on the market. Take this season: Wheat is \$1.50 in September, and in October it is \$1.07; the farmer has lost 43 cents anyhow, and if by paying more for men he can get his wheat on an early market, he does so.

Mr. JELLIFF: There is another reason for that haste in threshing, and that is the shortness of our season and the weather and the condition of the roads.

The DEPUTY CHAIRMAN: These remarks are interesting and illuminating, but we do not require the attendance of the witness in connection with them. Let us hear what the witness has to say, and bring the salient points out while he is here.

Mr. THOMPSON: There is one other point that appeals to me in regard to the way your grain is threshed and delivered. I am speaking as the representative of the Ontario Millers' Association, who grind your wheat. We had a car of No. 1 Northern wheat in a little while ago, and we had to take 22 per cent dockage out of that wheat before we put it in the mill to be ground.

An hon. MEMBER: Western wheat?

Mr. THOMPSON: Yes. We also had a car of No. 3 C.W. oats—this 1,764—out of which we had to take 39 bushels of stuff before we dare offer it to our customers.

The DEPUTY CHAIRMAN: Why?

Mr. THOMPSON: Because of the dirt. There were 936 pounds of chaff and dirt in that car, fit only to be burned. We had another car in the other day of 3 C.W. oats (Canada Western oats) out of which we took 29 bushels and 20 pounds of dust.

An hon. MEMBER: Did you get that car in Ontario?

Mr. THOMPSON: We got it from one of our elevators in Ontario.

Mr. McCONICA: The Western wheat has a Government grade on which the dockage is fixed.

Mr. THOMPSON: I had the grade and the certificate.

Mr. McCONICA: This was Ontario stuff?

Mr. THOMPSON: No, No. 3 C.W. oats.

Mr. McCONICA: You did not pay for the stuff you took out?

Mr. THOMPSON: No dockage marked on it.

Mr. McCONICA: It was the fault of the grader rather than the farmer, was it not?

The DEPUTY CHAIRMAN: I suppose it is agreed that it is unfortunate to have dirty produce.

An hon. MEMBER: I do not understand the witness when he says he had a car of No. 1 Northern with 22 per cent dockage.

Mr. THOMPSON: 22 bushels, 2 per cent dockage. Out of 1,650 bushels of oats I took 37 bushels and 23 pounds of dust and seed. I am calling this to your attention because I think this is one of the troubles that we Eastern millers find with your stuff.

Mr. WARNER: The Wheat Board will fix that up.

Mr. THOMPSON: Why did not they do so before? We have to be very careful with your stuff when it comes down here. In order to save myself from any trouble, I opened the windows of my elevator before I commenced to put this car in. The Port Colborne Elevator was blown to pieces on account of the dust. I had to be very careful. I have a report here from the grain screeners in which it says that if you would arrange your machines properly the stuff would be cleaned out. It also says

[Mr. R. A. Thompson.]



that in the haste to get the thrasher off the premises it is not done and the stuff is sent to us and you are injuring your rates.

Mr. McCONICA: There are so many that do not understand the business.

Mr. THOMPSON: When I buy another car of oats I will have to consider the possibility of throwing out 39 bushels.

Mr. MILLAR: Have you any appeal when you buy a car of wheat with an inspection certificate on it?

The DEPUTY CHAIRMAN: Does that affect the Wheat Board? If not, I must rule it out of order.

Mr. THOMPSON: We heard some little time ago about a Royal Grain Inquiry that was started.

The DEPUTY CHAIRMAN: How does this affect the Wheat Board?

Mr. THOMPSON: It affects the Wheat Board because we are here, I understand, to see if we can arrange anything to benefit the grain interests of the whole Dominion. The power of the Committee was for further investigation. These are points that you should urge with all your power. The Committee should urge the Government to continue the Grain Inquiry to get over some of these troubles that are damaging you and us as well. Our interests are so intertwined that you cannot get away from them. I had to pay for that dirt, and you had to pay for the dockage to Fort William, and you don't get anything for it. This report says that the charge for 100,000 tons of screenings amounts to \$650,000, that you people pay and do not get.

Mr. MILLER: Mr. Chairman, I am going to ask you to reconsider your ruling on my question. Our whole case is going to be based on this, that there are evils in connection with the grain trade that we have tried to overcome time and again, and one of those evils is that this grain is inspected out of the terminal elevators at Fort William and comes to the millers to be ground, and they are paying for what they get.

The DEPUTY CHAIRMAN: You will help me to make up my mind as to whether I am wrong or not, but how does that affect the Wheat Board or the collective marketing?

Mr. MILLAR: If these evils exist under the present system, it is a strong argument for a change.

Hon. Mr. STEVENS: If we follow the suggestion of Mr. Millar we will open up the whole question of terminal elevators, leakages and shrinkages.

Mr. THOMPSON: These mixing elevators are bad things, because there is a whole lot of stuff goes in there and comes out in a different form.

The DEPUTY CHAIRMAN: I think they all understand that.

Mr. THOMPSON: We have ground No. 1 Northern that had an excess of moisture in it after standing inspection. We believe that wheat went into the elevator as No. 1 Northern tough and was not dried. This morning you had a resolution before you in regard to the appointment of a sub-committee to ascertain to what extent the Canada Wheat Board or other compulsory national wheat marketing system may be established by this Parliament. In that resolution the grain interests and the elevator interest are represented, but the millers are not represented.

Hon. Mr. STEVENS: That is not decided yet.

Mr. JOHNSON: Surely the witness is wrong, because there are no interests specifically mentioned in that resolution.

The DEPUTY CHAIRMAN: "... and experts in the grain business, including Messrs. James Stewart and F. W. Riddell, and such others as it may deem advisable" to consult. Are there any further questions to be put to Mr. Thompson?

Mr. THOMPSON: Gentlemen, I thank you most sincerely on behalf of the Dominion Millers' Association for the privilege of putting our views before you.

Witness retired.

[Mr. R. A. Thompson.]

Mr. A. O. Hogg, called, sworn and examined.

*By The Deputy Chairman:*

Mr. Hogg: What is your business?

Mr. Hogg: I am in the grain business and am president of the firm of Hogg & Lytle, Limited. Our head office is in the City of Toronto. We have five branches in the prairie provinces, and about eighteen branches in Ontario.

The DEPUTY CHAIRMAN: The proposition before this Committee is to consider the advisability of re-constituting the Wheat Board, and looking into other means of collective marketing or national marketing of the wheat crop. Tell us your views on these subjects.

Mr. Hogg: In the first place, I would like to present a resolution passed by the Toronto Board of Trade on April 11, 1922.

The DEPUTY CHAIRMAN: We will take it as read, and it can be incorporated in the record:—

“Resolved, that the Council of the Board of Trade of the City of Toronto is opposed to permanent Governmental control of any branch of trade or in any commodity which involves the violation of the civil right of freedom of contract, and the interference with legitimate private enterprise. In the opinion of this Council such control is only justified, if at all, in times of war, or extreme national stress, which is not in evidence at present.

“Further resolved, that for the reasons hereinbefore stated this Council record its disapproval of the re-establishment of the Canada Wheat Board. The Council is convinced that, in the event of the average selling price of the season being lower than the initial allowance paid to the producers by the Wheat Board, the return to the producers in excess of the selling price will only be made at the expense of the consumer, with a loss to be borne by the whole people of Canada.”

Mr. Hogg: I represent the grain section of the Toronto Board of Trade, and in brief their position, as that resolution states, is that they are opposed to the establishment of a compulsory Wheat Board on principle, not in detail, not as to how it can be worked out. They are opposed to the principle of the Government going into the wheat business and taking the risk of marketing the wheat and also the risk of loss, if there is one, and, if there is a profit, paying it back to the producer, which was done during the life of the last Wheat Board. We find in the Report of the Board of Grain Commissioners that the Dominion Government already has nine terminal elevators with a capacity of 23,150,000 bushels owned and operated by the Government in Calgary, Moosejaw, Saskatoon, Vancouver, Port Arthur, Montreal, Quebec and Halifax. In addition there are fourteen lake elevators at Goderich, Tiffin, Port McNicholl, etc. I think there was a little confusion in Mr. Thompson's mind in that regard, because they are used exclusively for handling the Western grain across the lakes. They have a capacity of 19,830,000 bushels. According to the same report, the capacity of the elevators (including those on this side of the lakes) is 231,633,000. There are 3,924 elevators in all, including line elevators and terminals on this side of the lakes. Ten years ago that capacity was 108,000,000. Twenty years ago that same capacity was 22,500,000. As a practical grain man I claim that the Federal Government of Canada has invested more money for the benefit of the grain growers of Canada than for any other section of the Dominion. This proposition asks for a compulsory Wheat Board, and we have heard a good deal about speculations of one kind and another, and I take it if the same Board came into operation they would shut off the grain exchanges and the future trading, which in Canada, is only done in Winnipeg. I would like to call your attention to this fact, that Mr. Watts in giving his evidence the other day, not because he was secretary of the Dominion

[Mr. A. O. Hogg.]



Millers' Association, but as a member of the Wheat Board, made the statement that at one time the Wheat Board carried in wheat and flour the equivalent of 30,000,000 bushels with a value of \$80,000,000, and that there were no sales made from October, 1919, until April, 1920. The point I want to make is this, that if the wheat market declined from October, 1919, to April, 1920, to any extent, there would have been a very heavy loss. Fortunately for the wheat growers and everybody concerned, the market advanced. As a business man I claim that if any Wheat Board is formed and takes over the operation of wheat and buys the wheat from the farmer in October, November and December, whether they have 1,000,000 or 20,000,000 bushels on hand, some one takes the risk of getting back the money advanced on that wheat from the time it is taken in until finally sold. Aside from the ruling of the law officers of the Crown, you can establish a Wheat Board by provincial legislation with the co-operation of the Federal Government, and that Wheat Board can fix the price for wheat in Canada.

It can fix the price that the Canadian miller will pay for it. It can fix a price flour will be sold at, but the moment Canadian wheat gets to the seaboard or to the border line for export outside of Canada, no Wheat Board in the world can control the price to the foreign buyer. The British buyer is as keen a buyer as there is on the face of the earth and a good trader. If the Wheat Board in Canada says they want \$3.10, if the Australian says they will sell for \$2.05 he will not take the Canadian wheat until they bring it to \$2.05. No Wheat Board or no Government regulation can regulate outside of its own jurisdiction. That would be within the Dominion of Canada. We have produced a great deal more wheat in Canada than we use here. I see by the bureau of statistics here—I have no personal interest personally or otherwise in the milling business at all, but there is some very interesting information in this, I presume it is issued by the Bureau of Statistics and it says the value of wheat and wheat products made in Canada in 1920 was \$239,000,000, and that \$61,000,000 was exported and the total value of grain of all kinds exported from Canada, was \$347,000,000, so that the milling industry is quite an important part of Canada. In our business in Ontario where we buy Ontario grain we also sell flour and feed, and I think the member for the old County that I lived in a great many years raised the question that he has difficulty in getting bran and shorts. Any one living in Ontario will quite agree with him, and when I tell you we have had to pile up as much as two thousand and twenty-five hundred bags of Western flour that we did not need, and had to pay interest and storage charges on, but we either had to do that or do without feed. Now it is in the interests of Canada as a whole that a great deal of the wheat and to my mind, if the whole of the wheat were to be manufactured into flour in Canada, and the flour that is not needed here exported out of Canada, it would be decidedly to the interest to the rest of Canada to have that mill offal. I think many people will bear me out in that. It is just as scarce as it was when the Wheat Board was in operation. I am not here to criticise the Wheat Board. I believe my name was mentioned here to become a member of that Wheat Board when I was away. But I am very glad Mr. Watts was put on there, because he, as secretary of the Dominion Millers has to answer to the millers, as to why he did not give them a profit on flour. But the point is, it is not a question of the Wheat Board. Europe is hungry, and needs a lot of flour and other food products. But if I understand it they have not the money to pay for it. If the mills could run to their full capacity we would have the benefit of the offal here. No one has the slightest objection in the world that I know of to the farmers of Canada getting all the money they can get, and they are entitled to all the money they can get for the work they put in farming. I know what their position is because I have been twenty-five years in it myself, and they are entitled to it. Somebody has said that the Wheat Board could answer the other questions. Let me say that I think the farmers are quite capable of taking care of themselves and I don't think they need the Federal Government to take care of them any more than I do.

[Mr. A. O. Hogg.]



I see that the Saskatchewan Co-operative Elevator Company operates 334 country elevators. That is a co-operative concern. They have the privilege of marketing that, storing it, handling it, doing as they please with it.

Mr. McCONICA: It is run as a corporation not as a co-operative concern.

Mr. Hogg: It is run for the purpose, to obtain more money for our wheat. Now, the United Grain Growers, of which Mr. Crerar is president, operates 311 elevators. That makes a total of 645 elevators operated I believe by farmers in the Canadian West, and when you take into consideration that takes in one-sixth of the total elevators in the three provinces, they are pretty well spread over the country to take care of their own market. In addition to that, these two concerns operate terminals at Port Arthur and Fort William with 7,750,000 capacity. I am just pointing that out, that those are things that are in operation now and they are in operation to defeat anybody doing anything to prevent the farmer getting the best price he can for his grain. I have only been out in the West for about fifteen years, and I had a little to do with the Grain Act while it was being framed down here, and I find there are some pretty severe restrictions when you take out a license to operate a country elevator in the West. One of them is that if you have an empty bin in your elevator any farmer can ask for a rate fixed by the Board of Grain Commissioners. If there is not sufficient elevator capacity at any station any ten farmers can petition the Government to build a loading platform from which the farmers can load into the car. It strikes me that the facilities for loading that crop is pretty good when you come to take into account that the storage capacity of 231,000,000 bushels—I don't say that everybody has to sell their wheat in September, October and November, there is nothing compelling any one unless it be financial reasons, but why should the Government furnish money to anybody else to step in and take the risk of the market. I find we had a variation this year from 1919 down to \$1.02 in this year's crop. If the Board had been in operation during that period and had fixed the selling price of that wheat at fifteen cents over what they were paying for it, which they did when they went into operation, there would be a substantial loss, which would have been taken care of by the revenues of Canada and not by any one person. At the time the Wheat Board was in operation, the United States, Great Britain, and several other countries were under Government control. Now the control is off in all those countries, I don't wish to take up any unnecessary time, I don't know any more about the business than anybody else, but there are some of these facts which are patent to any one who reads them. Might I just say now that I am one of the firm believers for respect of the law in Canada. Let us make the kind of laws we can respect, and we want to have a law that is good for all the people in Canada, not for any one section of it. Here is a law asked to be enacted now that business men do not believe is in the interest of everybody. I don't see any reason why such legislation should be given for marketing wheat any more than it should be given for marketing any other Canadian products. That is only one of the basic interests. There is lumber, minerals, ores, and all kinds of things that might be handled in the same way. I was sent here to-day a statement made by P. C. Atkinson in Washington, representing The American National Grains Trade in the States. He told the Committee that the low prices of last year's crop of grain were due largely to the inability to dispose of surpluses owing to conditions in Europe. Here is what he says:—

“Price fixing, especially if it were done at any level which would satisfy farmers, would make larger crops, without providing additional markets. It might even shut off part of the present consumption by increasing prices. To go this road is to plunge over an economic and financial precipice at its end, whenever that end is reached. Foodstuffs would go higher and industrial labour would demand increased wages. As surpluses could be taken care of only through governmental purchases, this would mean the sale of excess production

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abroad at a loss. Taxpayers would be called upon to make up the deficit, while foreigners would get their food cheaper, and be enabled to produce goods cheaper, to flood into American markets. Price fixing, if it were determined on as a policy, should be done by the majority, and farmers are not and cannot be in the majority. If the majority ruled, prices would be fixed in the interest of consumers, and not of producers."

Someone made the statement the other day that unless the Wheat Board were established in the way that was demanded that the farmers would not grow wheat. I have been pretty well acquainted with a number of farmers for a good many years, and I don't think that statement represents the true condition of the farmers in Canada. If this is in the interest of themselves, and of all Canada, well and good, but I don't believe it is.

Mr. McCONICA: Is it your duty to do it if you can't make a living at it?

Mr. HOGG: I think they are in a business and they will carry on.

Hon. Mr. MOTHERWELL: I don't think the statement was made with that meaning that they were going to go on strike on the job.

Mr. HOGG: The newspaper reports had something to that effect.

Mr. EVANS: I would like to know what your argument in regard to the collecting system throughout the three prairie provinces has to do with the price, which is based always on the export wheat?

Mr. HOGG: Do you mean to make a compulsory price in the provinces? What I referred to was an arbitrary Board that had power to compel certain fixed prices.

The DEPUTY CHAIRMAN: As I understand the witness's argument, it is that it is not necessary to have a compulsory Board because there is machinery now for co-operative collective marketing.

Mr. EVANS: But you used an argument regarding the collecting system, that we had some 600 elevators in the three prairie provinces representing about one-sixth of the total collecting system. Supposing we had double that number, what has that to do with the price we are going to receive for our wheat?

Mr. HOGG: The point I was making was that I do not see the necessity for the wheat being marketed all in the two months, as has been stated here. It is just the desire to get the early market.

Mr. EVANS: Our price is not made at the special collecting point.

Mr. HOGG: It is all based on the selling price less the freight.

Mr. EVANS: No, no.

Mr. GOOD: It seems to me that the reason why the farmers put their grain on the market so quickly is because they believe that the price may go down. There is no stability, and their financial circumstances are in a rather serious condition. I think Mr. Hogg must recognize that fact, and also that if there was stability and if they were guaranteed the same price for marketing their grain in February or March as they would get in September, there would not be that rush. Further, if they had some advance payment in the fall that was safe, they might be able to tide over. I think that is a point that Mr. Hogg has not weighed.

Mr. HOGG: There seems to be an impression that the Wheat Board sold the wheat at a uniform price. I see they made some sales of wheat at \$2.04 per bushel at the seaboard.

An hon. MEMBER: The price to the farmer was the same?

Mr. HOGG: The initial price, but the average price was the price over the whole season.

Mr. JOHNSON (Moosejaw): Quite apart from the question of business management, that is what the Wheat Board only are able to say.

[Mr. A. O. Hogg.]



Mr. HOGG: My point is that if you are going to ask some person or Government or Board to guarantee the same price in February and March and April as in October, the same price every month in the year, somebody is going to speculate in wheat on a very large scale.

Hon. Mr. MOTHERWELL: That is not suggested by anybody.

Mr. HOGG: It is suggested that the price shall be the same.

Mr. JOHNSON: I never heard it suggested.

The DEPUTY CHAIRMAN: That is a deduction that the witness makes from the facts before him. Whether he is right or not, he thinks that if wheat is sold at different prices, and all the producers of wheat, no matter when their wheat was delivered, get the same price, same power, same middleman, it may be a Government Board, is running the risk of their being a profit to divide or a loss to bear in common.

Mr. MILLAR: Does not that depend entirely on the amount of the initial price paid?

Mr. HOGG: Yes. I am assuming that a new Board would operate on a similar basis to the last one, in which they made the initial advance 15 cents a bushel less than the selling price at that time. If the Board had done that operating in the last year when there was a spread of 90 cents a bushel downwards, there would have been a serious loss to be taken up by somebody.

Mr. MILLAR: Are you justified in assuming that all the details will be carried out by a new Board just as they were by the old Board? Moreover, you will remember that instead of there being a loss, \$560,000 was put back in the Treasury.

Mr. HOGG: They paid back to the farmers \$65,000,000 profit besides.

Mr. MILLAR: As part of what they had received for the farmers' wheat?

Mr. HOGG: Exactly.

Mr. MILLAR: After that they kept \$560,000 they had received for the farmers' wheat and paid it back into the Federal Treasury.

Mr. HOGG: If a new Board operates in the same way on a declining market they will make a loss. If the initial advance is less than the selling price there will be a loss.

The DEPUTY CHAIRMAN: Suppose wheat was selling at \$1 a bushel when the Board started its operations, and the Board gave the producers 40 cents a bushel, they would probably avoid all loss. Whether they would satisfy the producer is another question. If when wheat was selling at \$1 a bushel they gave 95 cents a bushel, and the price dropped 50 cents a bushel, there would be a loss to the producers.

Mr. MILLAR: It seemed to me that witness might leave a wrong impression on the minds of the Committee in regard to the amount of money expended by the Dominion Government in the interests of the grain growers. These elevators as spoken of are nearly all built by private concerns. The Dominion Government has built only one—perhaps two—terminal elevators at Fort William, and some interior terminal elevators, one at Moosejaw, one at Saskatoon, and another at Calgary. One elevator has been built at Vancouver and one in the Maritime Provinces, but I am not sure about these and am very much inclined to think that they were built regardless of the wishes of the grain growers.

Mr. McCONICA: And are private investments.

Mr. MILLAR: I know docks have been built there in the past in order to carry elections. I do not know whether the elevators were built for the same reason.

Mr. HOGG: I made the statement that the Government owned nine terminal elevators with a capacity of 23,150,000 bushels. I gave the total capacity at Fort William as 53,285,000.

[Mr. A. O. Hogg.]



The DEPUTY CHAIRMAN: That was merely a side issue of your argument, as I understand it.

Mr. HOGG: Yes.

The DEPUTY CHAIRMAN: Merely saying that the Government had done a great deal for the grain growers, and that they should not do anything more.

Mr. WARNER: The witness said that the farmers will in some way carry on. He believes they are not going to quit. According to the statement made by Mr. Hamilton before this Committee this morning, which we believe to be approximately correct, the farmers are not going to be able to carry on. I would like to have the witness tell us how they can carry on under the existing conditions out there as explained by Mr. Hamilton to this Committee? I would not like the impression to get abroad that the farmers will carry on if they do not get some relief, because in my opinion they are not going to be able to carry on by reason of the adverse conditions that now exist.

Mr. HOGG: I believe the farmers will carry on the business in which they are engaged just as other people will carry on.

Mr. WARNER: Always at a loss?

Mr. HOGG: We hope it will not always be at a loss. It has not always been carried on at a loss. The wheat producing business was not carried on at a loss during the war, neither in the West nor the East. Prices are declining now, and labour and other expenses are still high, and the effect of that is felt not only by the farming communities, but by every other line of business.

The DEPUTY CHAIRMAN: And taking the farming industry in Canada during the last 50 years, if we charged up against it the interest on the amount of capital invested, and wages for the farmer and the farmer's wife, it would show practically no profit.

Mr. HOGG: Yes.

The DEPUTY CHAIRMAN: Gentlemen, it is almost six o'clock. I do not think it is necessary to ask Mr. Hogg to reappear before this Committee on Monday? Whether we agree with his arguments or not, we know his attitude on the matter.

Some witnesses from Montreal have been asked to attend at eleven o'clock on Monday morning, but in view of the fact that there are a couple of Committee matters to be discussed, namely, this motion for the appointment of a sub-committee, and also the Hon. Mr. Motherwell's suggestion about the appointment of a sub-committee to examine into the Australian law—it is quite possible we may be asked to combine these—I think we should meet at ten o'clock instead of eleven o'clock on Monday morning.

Some hon. MEMBERS: Agreed.

Mr. JOHNSON (Moosejaw): We cannot dispute the statements of fact made by the last witness, but their application leaves an entirely wrong impression. He speaks of profit and loss. In the first place, it is impossible for a Wheat Board to make profit because it never buys wheat. The Wheat Board never bought a bushel of wheat; it was a selling agency.

The DEPUTY CHAIRMAN: It must have acquired the wheat in some manner.

Mr. JOHNSON: The Wheat Board acted as intermediary; it was nothing more or less than a selling agency. Both witnesses this afternoon have dwelt on that, and the last witness's statements were so concise that you cannot get at them with questions, and it is necessary to make a statement. He speaks of our facilities. Nobody disputes our facilities. I stated my belief in the House some time ago that there were nowhere else in the world facilities for the physical handling of wheat superior to our own. We are not complaining of that, but of the selling agency. Mr. Hogg stated at the outset that he was opposed to the establishment of this Wheat Board on principle, and furnished two reasons in support of his attitude. One I

[Mr. A. O. Hogg.]

have already dealt with, that if there were any profits they should go back to the farmer. They cannot go back, because there are no profits to be made. The other is the risk that the Government takes. I suppose in an extreme case there is a risk, but would it not have to be a very extreme case that would entail any risk on the part of the Government? In 1919, on a constantly rising market they felt justified in advancing \$2.15 a bushel, while we know that numbers of people believed they were safe at \$2.25. Nobody believes that an advance similar to that would be justified to-day. The lowest price to which wheat dropped was \$1.07 a bushel. I believe our witness quoted \$1.02. Supposing it was \$1, and our Wheat Board advanced 75 per cent, it might appear to be a risk, but the risk is more apparent than real.

An hon. MEMBER: Are you opposed to the Wheat Board handling flour?

Mr. JOHNSON: No; but I am not sufficiently conversant with the milling interests to say how far the handling of flour will affect the handling of wheat. I am not prepared to discuss that.

The DEPUTY CHAIRMAN: I think this Committee should extend its thanks to Mr. Hogg for the information he has placed before us.

Witness retired.

The Committee adjourned at 6 p.m. until 10 a.m. on Monday, April 24.





SELECT STANDING COMMITTEE

JACKMAN

ON

# AGRICULTURE AND COLONIZATION

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Minutes of Proceedings and Evidence

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No. 6—MONDAY, APRIL 24, 1922

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Mr. A. B. Labelle, President Canadian National Millers' Association.

Mr. Fred C. Cornell, Secretary Canadian National Millers' Association.

Mr. Robert Magill, Secretary Winnipeg Grain Exchange.

SEP 20 1943

SELECT STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS

The Committee met at ten o'clock A.M. Present:—Messieurs McMaster (in the chair), Andrews, Baldwin, Bowen, Brethen, Brown, Caldwell, Campbell, Carruthers, Charters, Chew, Clifford, Dickie, Duncan, Evans, Fafard, Forke, Forrester, Fortier, Garland (Bow River), Good, Halbert, Hatfield, Hubbs, Hunt, Jeliff, Johnson (Moosejaw), Jones, Knox, Leader, Léger, Lovett, Lovie, Lucas, MacKelvie, McConica, McCrea, McKay, McKillop, McMurray, Malcolm, Maybee, Millar, Milne, Morin, Morrison, Morrissy, Motherwell, Munro, Neill, Prévost, Pritchard, Rankin, Raymond, Robinson, Sales, Savard, Séguin, Senn, Sexsmith, Simpson, Sinclair (Queens, P.E.I.), Spence, Stansell, Stein, Stevens, Stewart (Humboldt), Thompson, Thurston, Tobin, Tolmie, Warner, White, Wilson and Woodsworth.

Mr. Johnson (Moosejaw) moved, seconded by Mr. Garland (Bow River):

“That the Agriculture Committee do appoint a sub-committee of its members, with authority to confer with the Law Officers of the Crown and experts in the grain business, including Messers. James Stewart and F. W. Riddell, and such others as it may deem advisable, to ascertain to what extent the Canada Wheat Board, or other compulsory national Wheat Marketing system may be established by this Parliament, with or without supplementary Provincial legislation.”

Mr. Tolmie moved, seconded by Mr. Stevens, that the said motion be amended by striking out the word “compulsory” after the word “other,” and inserting the words “compulsory or otherwise,” after the word “system.”

Which was agreed to. Motion as amended agreed to.

Mr. Sexsmith then moved, seconded by Mr. McConica, that the foregoing resolution be further amended by adding to the end thereof the words, “and to report their findings to this Committee.” Which was agreed to. Main motion as further amended agreed to.

Mr. A. B. Labelle, President Canadian National Millers' Association, who was in attendance, was called, sworn, examined and discharged from further attendance.

Mr. Fred C. Cornell, Secretary Canadian National Millers' Association, who was in attendance, was called, sworn, examined and discharged from further attendance.

Mr. Robert Magill, Secretary Winnipeg Grain Exchange, who was in attendance, was called, sworn and gave evidence.

Further examination of witness postponed.

Committee adjourned till Tuesday, April 25th.

ARTHUR GLASIER

*Clerk to Committee.*





COMMITTEE ROOM 424,

HOUSE OF COMMONS,

MONDAY, April 24, 1922

The Select Standing Committee on Agriculture and Colonization met at 10 o'clock a.m., Mr. McMaster, Deputy Chairman, presiding.

The DEPUTY CHAIRMAN: I have been asked by the representative of the Press that as the public is taking a great deal of interest in the deliberations of the Committee, and as some of the members of the Committee are new members in the House, that anyone who rises will give his name so that the papers will know to whom to credit the opinions and the questions asked. Our first item of business, gentlemen, is to consider the resolution by Mr. Johnson, of Moosejaw. You have all received copies of this resolution.

"That the Agricultural Committee do appoint a sub-committee of its members, with authority to confer with the Law Officers of the Crown and experts in the grain business, including Messrs. James Stewart and F. W. Riddell, and such others as it may deem advisable, to ascertain to what extent the Canada Wheat Board, or other compulsory national wheat marketing system may be established by this Parliament, with or without supplementary provincial legislation."

It was moved by Hon. Mr. Stevens, seconded by Hon. Mr. Tolmie, that the resolution before the Committee shall be amended as follows: By the striking out of the word "Compulsory" in the third line from the bottom, and by the addition of the words "compulsory or otherwise" after the word "system" on the second line from the bottom.

Discussion followed.

The CHAIRMAN: I have drafted something here that may assist. I have drafted it in such a way as to separate the different powers proposed to be asked. If the Committee will accept this resolution, they could strike out some of the powers asked for, and retain others.

"Resolved that the Agricultural Committee do appoint of its members for the purpose of ascertaining to what extent the Canada Wheat Board or other compulsory or national wheat marketing system, compulsory or otherwise, may be established by this Parliament with or without supplementary provincial legislation, such committee to have for that purpose authority

- (a) to confer with the law officers of the Crown;
- (b) to confer with experts in the grain business, including Messrs. Jas. Stewart and F. W. Riddell;
- (c) to study legislation of a similar nature in the Commonwealth of Australia and other countries; and
- (e) to prepare a draft bill embodying their conclusions."

Discussion followed.

Mr. SEXSMITH: I suggest the addition of the words: "and to report their findings to this Committee."

The DEPUTY CHAIRMAN: I think the Committee have no objection to the verbal changes proposed by Dr. Tolmie and seconded by the Hon. Mr. Stevens. Mr. Sexsmith also made a wise suggestion at the end: "and to report their findings to this

Committee." With the Committee's permission I will add those words. Gentlemen, I will read the resolution: It has been moved by Mr. Johnson (Moosejaw) seconded by Mr. Garland (Bow River):—

"That the Agricultural Committee do appoint a sub-committee of its members, with authority to confer with the Law Officers of the Crown and experts in the grain business, including Messrs. James Stewart and F. W. Riddell, and such others as it may deem advisable, to ascertain to what extent the Canada Wheat Board, or other national Wheat Marketing system, compulsory or otherwise, may be established by this Parliament, with or without supplementary Provincial legislation, and to report their findings to this Committee."

Motion agreed to.

The DEPUTY CHAIRMAN: The next question to be dealt with is the number and personnel of the sub-committee.

Mr. WARNER: I suggest that it be composed of five members. It will then be easy to secure a quorum.

Hon Mr. MOTHERWELL: I suggest that the sub-committee be composed of three members representing the three parties in the House.

Mr. SALES: I second that.

The DEPUTY CHAIRMAN: It has been moved by the Hon. Mr. Motherwell, seconded by Mr. Sales:—

That the sub-committee be composed of three members representing the three parties in the House.

Motion agreed to.

The following hon. members were nominated to serve on the sub-committee: Mr. Johnson (Moosejaw), Dr. Tolmie and Mr. McMaster.

The DEPUTY CHAIRMAN: I suggest that the first-named gentleman act as Chairman of the sub-committee.

Hon. Mr. MOTHERWELL: That is the usual custom.

The DEPUTY CHAIRMAN: Then Mr. Johnson will be Chairman of the sub-committee.

There was a suggestion made by the Hon. Mr. Motherwell the other day in regard to the formation of a sub-committee to examine into the legislation of Australia. I do not know whether Mr. Motherwell considers that this resolution is wide enough to cover that.

Hon. Mr. MOTHERWELL: That is quite satisfactory.

The DEPUTY CHAIRMAN: I will now call upon General A. E. Labelle to testify before you.

General A. B. LABELLE, called, sworn and examined:

The DEPUTY CHAIRMAN: General, with what company are you connected?

General LABELLE: I am President of the Canadian National Millers' Association and vice-president of the St. Lawrence Flour Mills.

The DEPUTY CHAIRMAN: We have requested your presence, Sir, in order that you might give us the benefit of your views as to the advisability of reconstituting the Canada Wheat Board or some other system of marketing wheat in a collective, national way, compulsory or otherwise.



General LABELLE (*Reading*):—

Mr. Chairman and gentlemen:

Our presence here to-day, as we understand the situation, is for the purpose of voicing our opinions as to the practicability of re-establishing the Canadian Wheat Board with all the powers that were vested in the Canadian Wheat Board, which functioned during the crop year of 1919-20.

We are here to-day as representing the Canadian National Millers' Association, an organization representing 90 per cent of the active milling capacity of Canada, and representative of all classes of mills. These mills are distributed from coast to coast.

The matter of a compulsory Wheat Board has been seriously discussed by the members of the Association, and we realize and fully appreciate the position of the wheat grower. The interests of the farmer and the miller are so closely interlocked and their need for working in close harmony is so essential, that it is a matter of vital concern that the production of Canadian wheat, the quality of which is second to none in the world, should be maintained. The miller relies on the farmer for his raw materials and the farmer on the miller for many of his products, both for feeding himself and family and also for feeding his stock.

There are, however, many difficulties which will arise through the re-establishment of a Wheat Board of a compulsory nature, affecting not only the allied interests, but the country as a whole. These must be considered seriously before any action is taken. We will try and place these before you as clearly as possible.

If this Board is established it will mean that every producer of wheat will be compelled to deliver his wheat to the Board, and permit the same to be sold through the Board. The miller has to purchase his supplies from the Board. He has no alternative unless he sells his total crop to another farmer. This we believe is a direct contravention of the legal rights of the individual farmer.

The Wheat Board will have control of the selling price of wheat to the domestic consumer. A witness before this Committee in support of the Board stated, "that the whole question of price fixing is wrong," and with this we entirely agree. Notwithstanding statements already made before this Committee, we cannot conceive how enhancing the value of wheat will not have the effect of increasing the price of flour and bread to the consumer and feeds to the live stock and dairy interests.

There seems to be an impression that the option market is purely speculative, but so far as the mills are concerned, this is not correct. The option market is a vital necessity to the Canadian Miller. He has to protect himself against loss, both in the domestic and export markets. Tenders are being called for daily in these markets for flour which is to be delivered in monthly, weekly, daily, or whatever specifications the tender calls for. These deliveries extend over a period of several months. Export orders, of necessity, must be taken for shipment for many months ahead. It takes time for flour to be milled, moved to seaboard, transported over the ocean to final destination. The same condition is perhaps more pronounced when shipping across the Pacific. The foreign buyer is laying his plans to ensure himself that a steady flow of flour is reaching him at all times to meet his needs. Large jobbers and bakers contract ahead so as to enable them to make sure of deliveries reaching them when they need the flour. As soon as a contract is taken by the miller for any considerable quantity of flour, he immediately protects himself by buying his wheat supplies for shipment when he needs it, either cash or option. If he were actually to purchase cash wheat and take delivery the same day

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the contract was signed, all the elevators in the East and the Terminals at Fort William would be filled with millers' wheat waiting for shipment when the miller needs the wheat. It must be remembered that the U.S. Miller, our greatest competitor in foreign markets, will have access to the option market to protect his sales of flour and if this privilege is not afforded the Canadian Miller, he will only be able to come in when the domestic price of wheat is on a parity with the foreign value. What did the last Board do when the domestic price of wheat was too low? They ordered that the miller pay a surcharge to the Board before he received a permit to export his flour. These surcharges varied according to the country to which the miller wished to ship his flour and as the selling price of the Board was a state secret, known only to the executive of the Board, it was impossible for the millers to even estimate whether the same was on a parity with the export price of wheat. They would not permit the miller to export flour to countries such as the United Kingdom and the United States or any other European country. They took over the flour and did that themselves. The result was that the exports of flour to many of these countries decreased to an alarming extent. The only markets to which the Canadian miller could ship on his own account were the markets where the Board was not shipping wheat, and even then they had to get permission from the Board and find out what his surcharge would be before any business could be taken.

At the close of the crop-year 1919-20, the mills while not paying any surcharge, were practically out of the export market due to the artificially high price of wheat set to them and at which the Board rode out.

The control of the Wheat Board over Canadian millers resulted in a decrease in the exports of flour of 4,110,969 barrels from the preceding year. This was even a decrease of 1,149,762 barrels below the ten-year average. The mills were forced to stand aside and see the results of ten years development of the export market go to pieces. The first year after the mills were decontrolled by the Board they managed to increase their own export business by their own initiative, 1,333,872 barrels or 184,110 barrels above the average for ten years.

The loss in exports of flour meant a loss in millfeeds available for the production of live stock, etc., of 143,863 tons or sufficient to load 5,754 railways cars of 25 tons each.

After our experiments with the last Board, we are fully convinced that a compulsory Wheat Board cannot, and it is impossible, for them to give full justice to the milling industry, especially in the export market. They are confronted with the problem of being forced to sell wheat in competition with the raw product to countries which prefer the importation of wheat. These countries realize the necessity of a well-established milling industry, they want the benefit of the feeds and some of the largest European countries to-day have an almost prohibitive custom duty against flour, as compared to wheat.

The Board will have the power to fix the price of millfeeds. All the products and by-products of wheat fluctuate as market conditions warrant. To-day there is a spread of \$2.00 per ton between bran and shorts, bran selling at \$28.00 per ton and shorts at \$30.00 Montreal. During the early part of last year bran was selling for \$2.00 per ton more than shorts. The Board at one time had a spread as high as \$10.00 per ton in favour of shorts, and the average would be about \$7.00 per ton. As soon as the mills were decontrolled, the price of these feeds dropped to their proper level and generally speaking, a spread of \$2.00 per ton between bran and shorts has been maintained. There is no possibility of any Board being able to place an artificial price on these feeds satisfactory to all concerned. If the prices of feeds are too high the

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consumer of flour benefits, and if too low, the consumer suffers. We do not believe that the live stock interests will be prepared to be forced to pay a fixed price for these feeds.

If the Board are going to fix the price of feeds made from wheat, they must have the power to exercise some control over the price of feeds made from coarse grains and the selling price of corn, which is imported free from the States. While no substitute has been found that will take the place of bran and shorts for the peculiar necessities of each, at equal prices, nevertheless, the mills are forced to sell their feeds in competition with all other classes of feeds.

The millers under normal times manufacture many different grades of flour, both for export and domestic use. Both markets demand this. The householder, the baker, biscuit manufacturer, cake and pastry industry, and numerous others, use a quality of flour suited to their needs. In the export market, the demand for the different grades is perhaps even more pronounced. Many of the 60 different countries, to which Canadian millers are exporting flour require some special qualities to meet their demands.

It would be impossible for the Board to attempt to set a price on these many different qualities and they would have to order the mills to manufacture one or two grades only. This would be disastrous not only to the domestic, but also the export markets. There would only be a limited demand for one grade of flour for export. In the domestic one standard of flour would mean one price to every one. The well-to-do man to-day pays a high price for a high patent flour, while the man of more modest means has access to any grade that he feels he can afford. The different industries using flour would have to use these standards. We do not believe that the public, or any of these industries mentioned above will stand for this if they can help it.

According to the evidence of a witness, the value of wheat decreased much more rapidly than that of flour. This is a broad statement, not backed by actual figures, and we would request that statements of this nature be supplemented by actual facts.

It must also be borne in mind that millers, in order to protect themselves, must have at least two weeks' supply of wheat on hand or in close proximity to the mill. Also after the Board de-controlled the mills, they were again manufacturing their many different qualities of flour and adjustments of prices were necessary. Flour prices under normal conditions do not advance as rapidly as the wheat market.

We would like to request, Mr. Chairman, that statements witnesses have made before this Committee be substantiated by actual figures, or the evidence struck out. We are not attempting to dodge the issue, but believe that in all fairness to the mills actual facts backed by figures should be permitted only. We will then be only too pleased to place our evidence before you. As matters stand, we have only a broad statement to deal with, which we deny absolutely.

It is reasonable to suppose that an industry with over 1,000 different mills, could have nothing else but the keenest of competition. We have proved this over and over again to government commissions, etc.

I would also like to draw to your attention a statement made by the Secretary of the Dominion Millers' Association to this Committee on April 11 last. Mr. Watts stated that the larger milling companies "Have all since acknowledged that they made a mistake and they would have been better if the Wheat Board had continued another year." He also included in this statement, the Winnipeg, Montreal, and Toronto Grain Exchanges. While we cannot speak for them, we can say, that so far as the large mills are concerned, this is not a statement of fact. Another statement credited to Mr.

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Watts was to the effect that if we could believe the claim of Mr. Woods that \$25,000,000 could be realized or any substantial portion of that amount more for the farmers, I believe the millers would be prepared to support the application provided they were guaranteed fair treatment. So far as we are concerned, this statement is not correct. We are unalterably opposed to the principle of government interference in any business or industry, and do not believe that a compulsory wheat board will be able to mete out justice to every one, or be of any benefit to any one. While we are free to admit that the last Wheat Board was a success in the interests of the farmer, the fact that practically all other countries were at that time also under control must not be overlooked. This is not the case to-day. The millers at that time were prepared and did co-operate with the old Board in the interests of the Dominion, and notwithstanding the fact that they suffered very material loss in reduced production, and in the loss of old established export connections which had taken years to build up.

In conclusion, we would like to state that after our experience with the Canadian Wheat Board of 1919-20, we are unalterably opposed to the re-establishment of any compulsory Board. We are positive that the producer will not benefit in the least, and it will only place the miller and other allied interests, in an intolerable position. We have had our experience with one Board and are not prepared to take any chances with another of the same nature. If the wheat producer is satisfied that by marketing his crop through one organization, there is nothing to hinder him from forming his own and the farmer, who wishes to use his own judgment as to how he should sell his crop, can sell through the regular trade channels, and the miller, the public, and other consumers of wheat and by-products would be ensured of being able to buy their supplies at the world's market price at all times. This is a condition of vital importance especially for the protection of the consumer.

The DEPUTY CHAIRMAN: It has been our custom, Mr. Labelle, to have members of the Committee ask questions of the witness, and I am sure you will be glad to conform with that custom.

Mr. LABELLE: Yes, sir.

The DEPUTY CHAIRMAN: We just ask the questions one at a time so that they easy to reply to. Who desires to question the witness?

Mr. EVANS: One of the witness's strongest points is that wheat was sold instead of flour. Does he mean to charge the Board with the fact that they did not sell all the flour they could, or what? Could they sell more flour than they did?

General LABELLE: We claim if the trade was open, the mills would have sold their usual proportion of flour for export, yes.

Mr. EVANS: That is not a complete answer.

The DEPUTY CHAIRMAN: I want to be satisfied that Mr. Evans has the answer he thinks he should have. In what way is the answer incomplete? I am sure Mr. Labelle wishes to give a complete answer.

Mr. EVANS: The witness has made the statement and other witnesses have made it as well that much more milling would have been kept at home, that is much more mill feed would have been kept at home available for stock here and much more flour might have been sold. I want to know if he charges the Board with the fact of not selling as much flour as the millers would have been able to have sold if they had had the open market, and I would like to know if the witness knows also that the Board did not sell as much flour as they would have liked to have sold, as the millers would have liked to have sold.

[Mr. A. B. Labelle.]

General LABELLE: I base it in this way, that the Canadian Wheat Board's primary object was to sell wheat. They had to export the wheat and they did the best they could. I don't claim that the Board did intentionally not sell flour, but you can easily understand when you have two or three hundred mills with their agents all over the world trying to sell flour that there has to be a certain amount of energy used for that purpose and the flour would be sold in preference to wheat in some cases. Well, the Board's primary object was to export wheat and to get the best price for it.

Mr. JOHNSON: The witness said, Mr. Chairman, if I understood him right, and he will please correct me if I have this wrong, that the price of flour dropped immediately under the discontinuance of the Wheat Board.

General LABELLE: I did not say that.

Mr. JOHNSON: That is how I understood it, that the price of flour dropped, commenced to drop. It was held up to the consumer during the operations of the Wheat Board, and it dropped immediately on the discontinuance of the Wheat Board, is that correct?

General LABELLE: Yes.

Mr. EVANS: Do you account for that as owing to the fact of the Wheat Board discontinuing operations or in your opinion would the natural decline of prices have anything to do with it?

General LABELLE: I find flour follows the price of wheat. I don't exactly remember what happened after the decontrol but the actual fact is when the Wheat Board was decontrolled, when the mills were decontrolled, a lot of mills were left with a lot of flour, shortly after the decontrol the price went down and flour followed. The mills were left with a lot of flour that cost them a lot of money.

Mr. EVANS: The price to the consumer was enhanced owing to the operation of the Wheat Board.

General LABELLE: Those were special conditions, I have explained to you—

Mr. EVANS: I do not know about the conditions, but is that the fact?

General LABELLE: I have explained to you that there were Boards all over the world, and that they were dealing with our Canadian Wheat Board alone. There was no other condition existing. At that time there were practically only two people. There was one seller here, which was the Canada Wheat Board, and there was the buyer in the Old Country, and they dealt with one another. Of course, there may be different reasons for that. The country would absolutely want flour, and they would pay the price for it. There was only one place to get it. They knew the condition of the whole world, and they would have only one dealing, and when the Wheat Board was decontrolled, and the millers were decontrolled, they were left with a quantity of flour, and as a natural consequence the price of flour dropped.

Mr. EVANS: To the domestic consumer the price of flour was enhanced, owing to the operations of the Wheat Board.

General LABELLE: Yes.

Mr. EVANS: That as you are aware is not in accordance with the report made by Mr. Stewart.

General LABELLE: I have not read it.

Mr. EVANS: You have not read the report that the price of wheat to the Canadian grower was 25 cents in excess of the price received, say, by the American grower, but the price of flour to the Canadian consumer was materially less than to the consumer in the United States.

General LABELLE: I am not prepared to say that because I have not examined those figures.

The DEPUTY CHAIRMAN: You wanted to ask a question, Mr. McKay?

[Mr. A. B. Labelle.]

Mr. McKAY: My question was partly answered. During the control of the Wheat Board in 1919 it had been stated several times that the decline in the export of flour in one year was over 5,000,000 barrels. Take the year before and the year after, there was a marvelous increase in exportation. The point I want is to have an explanation as to how that sharp decline took place in one year.

The DEPUTY CHAIRMAN: Perhaps General Labelle would give us some light on that subject.

General LABELLE: No other reason than I have given you. The Wheat Board was trying to sell all the wheat they could and they neglected flour.

Mr. McKAY: In other words the wheat was kept out of the hands of the millers according to your view.

General LABELLE: Some mills. For instance my own mill, we were short of 500,000 bushels of wheat, so the mills did not grind the 4,000,000 barrels. That meant about 20,000,000 bushels of wheat.

Mr. McCONICA: Is it not a fact that at that time it was cheaper to send wheat that would make a barrel of flour across the ocean than it was to send a barrel of flour? That the freight rates had a great deal to do with it.

General LABELLE: I don't think so, because at that time the shipping was controlled by the Canadian Wheat Board who chartered the boats themselves.

Mr. McCONICA: Is it not a fact that you lost that export trade you had built up in those years, in consequence of the fact that the foreign buying was controlled by different men than you had been doing business with before?

General LABELLE: I could not say.

Mr. McCONICA: Is it not a fact that the spread between shorts and bran was due to a considerable extent to the scarcity of shorts due to the fact that wheat was ground a good deal closer and less shorts were made during that time when we were conserving the grain supply and that was the reason shorts were so much higher than bran and there was so much less of it.

General LABELLE: No.

Mr. McCONICA: Is it not a fact that they did grind a great deal closer at that time?

General LABELLE: No. Practically the same yields in percentage were carried out. It was only in the quantity of low grade flour. Some of it was left in the flour.

Mr. McCONICA: Did they not grind shorts closer, and make more of it into low grade flour?

General LABELLE: No.

Mr. SALES: You say the export of flour decreased under the Wheat Board?

General LABELLE: Yes.

Mr. SALES: And I think you stated flour could only be shipped to countries where wheat was not being shipped.

General LABELLE: Directly by the mills, yes. The mills were allowed to export to countries where wheat was not sold. Direct from the mills. The rest was handled by the Wheat Board?

Mr. SALES: You did ship flour in some instances yourself?

General LABELLE: Yes.

Mr. SALES: You made another remark there, that the keenest competition existed between those mills. That seems rather strange to me. I have in mind Saskatoon where the Quaker Mills is in operation, and the Interprovincial mill is in operation, and it almost seems to the farmer instead of competition they have an arrangement for the reason that we can buy at that point, Robinhood flour, which is manufactured

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160 miles away, and Ogilvies, Lake of the Woods, etc., at practically the same price as Quaker flour which is ground in that city. It is drawn by the farmers in their wagon-loads, and unloaded into the cars at one price. That does not look like competition.

General LABELLE: That is simply due to the working of the freight rates: The wheat is bought at a certain basis and milled, and shipped to different points. In the province of Quebec—as to the position in Saskatoon I cannot say as I don't know. You will have to ask somebody else, but I know in the province of Quebec, flour is the same price in Montreal as in Quebec, exactly the same price. We have to pay the freight from Montreal to Quebec. On the other hand a man in Toronto will ship his flour to Montreal and pay the freight. It will be all the same price, because the transit price is the same. That is all based on the freight. The freights are the same. When I ship from Montreal, on all rail wheat I pay only the additional stop-over from Montreal to Quebec. I have to pay the full local freight from Montreal to Quebec. Still in the end it comes to the same thing, it is all based on the same price.

The DEPUTY CHAIRMAN: Is it not an economic law that the price on similar articles of the same price always approximate in equality? Is it not an economic law that articles of the same sort of quality on the same market approximate in equality?

Mr. McCONICA: They have to.

The DEPUTY CHAIRMAN: In price of course?

Hon. Mr. MOTHERWELL: That could not be otherwise.

The DEPUTY CHAIRMAN: For instance, let us suppose there is a price on potatoes of \$1.00 a bag in the Ottawa market. The farmer drives down over the hills yonder, and gets his \$1.00 and the man who sends them by freight has to pay twenty-five cents for freight. I think it is an economic law.

Mr. McCONICA: Is not that due to the fact that there is some little understanding between the gentlemen who are making the sales?

The DEPUTY CHAIRMAN: No. I think you will find that the supply and the demand will create what you might call a common price, and at that common price some people who are close by the market will get more returns for their labour than others will get?

Mr. McCONICA: That is due to the fact that the fellow who was selling the potatoes knows what the other fellow has to charge for his.

Mr. MILLAR: It was just along those lines I was going to ask a question. Do the mills of which you have knowledge cut prices at points where they have competition from small mills?

General LABELLE: Not that I know of.

Mr. MILLAR: You don't know that they don't.

General LABELLE: I don't know that they do. There is no arrangement about prices between the mills. That is straight, so get that out of your mind, and if you were in business and saw the cutting of prices going on every day you would come to the same conclusion.

Mr. MILLAR: The point is, for instance, take the Ogilvie mills for instance, it has been alleged strongly—I am speaking of the West, I don't know how it is in the East, but in the West it has been alleged that at points where there are small mills they sell sometimes for 50 cents of 60 cents per hundred less than they sell the same lines at other points, where there are no mills to compete.

General LABELLE: That is the first time I have heard that statement.

Mr. EVANS: Do you know whether the National Millers' Association have an arrangement as to the competitive areas of this Dominion.

General LABELLE: No.

Mr. EVANS: The bakers in Saskatoon, the county I represent, they will get their flour in from Winnipeg, just as readily as they will buy it from the Ogilvy Milling Company, at their own door and they keep the price of bread the same, all the bakers in the city, but they can import their flour from Winnipeg as cheap as they can buy it at their own door, at the Ogilvy Milling Company's plant, the Quaker Oats Company.

General LABELLE: That is the reason I have just answered prices are based on the transit rate. I think it is the same as down here. There would be a freight adjustment made on the whole section. Certain sections have certain freights, and other sections have others. With all the same freight they sell at the same price, not as a matter of arrangement, but as a matter of cost.

Mr. EVANS: It seems to me unreasonable that it is sold at the same price in Winnipeg as at Saskatoon.

Mr. WARNER: I wanted to ask a question and in order to get the question so that the witness will understand it, I will say that during the Wheat Board at Edmonton, we were very short of bran and shorts. It is a little past what we were talking about. I was running a dairy and I went to the mill quite often, and I could only get a little now and then of bran and shorts and the miller explained to me that he had to grind it into whole wheat flour so that that was the reason why the bran and shorts were so scarce. I understand our witness to say it was not ground closer and they did not grind more into whole wheat flour. Was that only confined to the West or was it throughout the Dominion?

General LABELLE: I don't say it was confined to anywhere. It was a strange statement for that miller to make. That is not according to the facts at all.

Mr. WARNER: We had to use whole wheat flour.

General LABELLE: Whole wheat flour means flour ground with bran and shorts. What was ground during the war was a straight flour in which everything in the shape of our flour went in, including what we call feed flour. Only a very small proportion was used.

Mr. WARNER: That did not reduce the amount of brans and shorts?

General LABELLE: No.

Mr. SALES: Several gentlemen intimated that some of the mills suffered injustice at the hands of the Wheat Board. Did you suffer any injustice, or was your trade retained during the regime of the Wheat Board?

General LABELLE: There were lots of causes of complaint, but we did not bother with them in war time. We were quite willing to accept the conditions; we were simply praying that the thing would end.

Mr. SALES: But your business was a profitable one that year?

General LABELLE: We did fairly well. We lost part of our export business which took us two years to get back. But still we did not do badly.

Mr. SALES: I am given to understand that the Board consulted the millers as to their cost of production and fixed that so that you could make some money. Mr. Thompson said that that arrangement was not lived up to by the Board.

General LABELLE: No, it was not lived up to by the Board. We had meetings with the Board to fix the cost of milling, and when we stated our costs three-fourths of the members of the committee said openly or insinuated that we were lying. That was the first thing. We had to fight that all the time. They were told at that time that if they wanted to investigate any of the Mill's books, they were all open. I remember that Mr. Hutchinson, of the Lake of the Woods Company, who is here to-day, was Chairman of the Mills' Committee at that time, and he offered openly to show them the books. He said, "I have my office at Winnipeg; come and look at my books."

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There are three milling companies with offices in Winnipeg, and they said the same thing. They said, "investigate our books and see whether we are right or wrong."

Mr. SALES: Did the Wheat Board live up to the arrangement made?

General LABELLE: They contested part of our figures, and when we showed them that we were cut too low in some things, they did not take it into consideration.

Mr. SALES: But an arrangement was made. Did the Board live up to that arrangement?

General LABELLE: Excepting that they would not accept our cost prices.

Mr. SALES: There would not be any discussion when you were making that arrangement?

General LABELLE: First they changed the price of wheat, and we showed them from actual figures that the advance on wheat and the advance on flour was not in proportion, but they would not consider that.

Mr. SALES: There has been a general tendency to think that the Canadian consumer was penalized during the Wheat Board's regime. Now I understand that you began to buy your wheat and that went on for a long time. Meantime the price of wheat was advancing, and they raised the price 50 cents a bushel on flour to correspond. My point is that up to the time of the raise the Canadian consumer was getting the benefit of the fixed price of \$2.30 a bushel when the price was advancing all the time. The advantage was going to the Canadian consumer.

General LABELLE: If you can prove that the price of wheat increased in the meantime, and that the consumer did not pay for it, alright; I accept your statement. We charged \$2.30, and we kept it there until it was raised to \$2.80. What the export price of wheat was I do not know.

Mr. SALES: It would not have jumped 50 cents unless the price had been advancing for export.

General LABELLE: When they advanced the price of wheat to \$2.80, we had to advance the same on flour.

Mr. SALES: But you had the cost of production included in that?

General LABELLE: Exactly.

Hon. Mr. MOTHERWELL: What would happen to your stocks when the price was raised?

General LABELLE: If I remember rightly, at the first increase we had to prove that we had the flour sold as against any stock we had. On the second advance they refused to allow any sales. Any sales that we made we could have increased the price to the consumer, but we did not do that because we thought it would mean loss of our connection with our customers and we allowed the difference. We had to deliver flour at the old price and pay for the stock at the new price.

Mr. MILLAR: I would like to get your opinion as to the mixing elevators. Some of us believe that the mixing elevators, principally at Fort William, militate strongly against the producer. What is your opinion? Do your millers as regularly receive wheat from those mixing elevators as from the public elevators.

General LABELLE: Personally I won't take any wheat from the mixing elevators.

Mr. MILLAR: Why? I suppose the answer is obvious.

General LABELLE: Simply because we find that the grades are not right.

Mr. MILLAR: The skin is ground down?

General LABELLE: It would seem so. We are not buying anyhow.

Mr. MILLAR: You have spoken of the disabilities under which you suffered during the regime of the Wheat Board. Would these necessarily follow? Could they not be avoided by the Wheat Board? If you realize that we were more considerate to the

[Mr. A. B. Labelle.]



millers? Could they not be avoided, especially when we consider that this proposed measure is only to be temporary, that it will last for only one year or at most two years?

General LABELLE: We have a saying in French about a cat—

The DEPUTY CHAIRMAN: A scalded cat dreads even cold water.

Mr. McCONICA: You object to the compulsory feature? You claim that it is against the rights of individuals involved. Are you complaining on behalf of the farmers who were compelled to sell, or on behalf of the millers? Is it on account of the farmer losing his right that you are complaining?

General LABELLE: I am complaining for the millers. I suppose I may give my opinion of the farmers the same as the farmers may give their opinion of the millers.

Mr. CAMPBELL: To come back to the shortage of brans and shorts, I would like to ask the witness if there was not some regulation from some other Government body during the war compelling the millers to make a certain number of pounds to every bushel of wheat. Possibly it was the Canada Food Board or some other body. There is a small flour mill in our town and I know we had that question to deal with. The miller told us definitely that he was compelled to make a certain number of pounds for every bushel of wheat. I think he said 40 pounds. He was making I think 20 pounds. I rather think it was the Canada Food Board.

General LABELLE: There was a regulation by which we had to make a barrel of flour with a certain percentage of wheat. That may have affected some small mills because they had not the machinery to clean up like the more modern mills. But it would not amount to much.

The DEPUTY CHAIRMAN: I understand your evidence is that even in spite of that order there would be just as much mill feed got out of it?

General LABELLE: Very near; it would be a trifling difference. In reply to the gentlemen who have been talking about brans and shorts, outside of brans and shorts the mills' feed flour consists of red-dog middlings, and so on. These would affect it to a certain extent but the general sweep of brans and shorts remain practically the same.

The DEPUTY CHAIRMAN: But I suppose that if feed flour and red-dog and middlings disappear, they would all be used for the same purposes as brans and shorts, and there would be a greater shortage of stuff to feed the cattle with.

General LABELLE: Yes. The biggest decrease in the production of brans and shorts was in the smaller quantity for export.

Mr. EVANS: The agents of the three chief exporting countries, England, France and Italy, were using a lower grade, which would account for not so much flour being sold by the Board for Canada.

General LABELLE: I suppose that would to a certain extent. We are still convinced that we could have exported a good deal more flour if we had been left to ourselves.

The DEPUTY CHAIRMAN: Are there any other questions that members desire to ask General Labelle. I would remind you that there are two other witnesses whom we would like to hear to-day. I thank you, General Labelle, on behalf of the Committee.

F. C. CORNELL: called and sworn.

*By the Deputy Chairman:*

Q. With what mill are you connected?—A. I am Secretary of the Canadian National Millers' Association.

[Mr. A. B. Labelle.]

Q. Are you connected with any milling Company?—A. My interests are not interlocked with any milling Co.; I am not connected with any milling company.

Q. Will you give your views upon the question which is before the committee, the question of the wisdom of the re-establishment of the Canadian Wheat Board or of some board for the collective marketing of the wheat crop, compulsory or otherwise.

WITNESS: Mr. Chairman and gentlemen, of course, the only precedent we have to go on is our experience of the Wheat Board as it was constituted before. I think that Gen. Labelle has gone over the case very clearly, and you will have your report tomorrow of what he has said. There were some questions asked by members of the committee, and I would like to further amplify the impossibility of establishing a set price on flour, whether legal or not. During the time of the Wheat Board, we met the Board on several occasions and talked about the cost of manufacturing. The Wheat Board on no occasion stated what figures they were showing for their cost of manufacture. We undertook to make a survey of every market in the country to find out the actual cost per barrel for manufacturing flour. As near as we could judge the Wheat Board used the figure of 85 cents, or approximately so for the cost of manufacturing one barrel of standard flour. From the reports I received at that time, the figure ranged from 65 cents per barrel to \$1.42, depending upon the geographical location of the mill. One mill might have an advantage from being located at one point and be able to manufacture cheaper while another mill at another point might have a higher cost. The cost of manufacturing averages pretty well over the whole milling industry. The figure which the Board had as their standard was impossible, and we proved it. There were mills that closed down during the regime of the Wheat Board. Their manufacturing costs were high and they could not stand it.

Mr. McCONICA: Would they not be at the same disadvantage if there was not any Wheat Board?

Mr. CORNELL: The average freight rates are practically on the same basis. Take a mill located at Montreal. Their manufacturing costs might be higher than a mill located in the West, but the latter have to put their flour through a warehouse in Montreal, which the Montreal mill has not to do. If you put in an arbitrary cost of manufacture you are going to subsidize one mill to the detriment of the other. We can only go on the precedent of the last Wheat Board. It was generally considered the domestic market along in December that prices were due for a sharp rise. That report was prevalent all over the country. As the result, the mills were milling and were fairly active in the domestic market, and the buyers were buying. During the last part of the year they were not. The same thing applied in the export business. Previous to the war and practically all during the war the export of flour ranged between 6 per cent and 10 per cent of the total exports for that year, in monthly shipments at the seaboard. During the time of the Wheat Board exports of flour moved out of this country at as high as 22 per cent in one month and as low as 1 per cent in another month. We had the highest in ten years in one month and the lowest in ten years in another month. That is not a healthy condition for the mills. They are basing the price on the cost of manufacture every month. We were running at a low cost in the early part, and at the latter part the cost of manufacture went up. In connection with the export market, during the war period, as I understand the situation, and at the time of the Wheat Board, there was a Royal Commission on wheat supplies sitting in the United Kingdom. Importers were allowed to buy through the regular channels of trade, but had to have the sanction of the Royal Commission before they could bring the stuff in. After the war we started to make our own connections and sent men to the Old Country for that purpose. If the Wheat Board takes over the export of flour we are simply where we were before and compelled to start all over again. That is a condition we cannot stand. It costs money to put any article on the market. We have to do all our own advertising. Under the Wheat Board the ocean differential on flour was 25 cents. I make this statement positively, that if the

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millers had been in control of the situation there would never have been that 25 cents spread. As soon as de-control took place, the spread dropped to five cents per hundred pounds and has remained there ever since.

There were some questions asked about the prices at western points. I think Mr. McMaster himself pointed out that so far as the whole milling industry is concerned, no matter where the mills are located, it is practically impossible for a miller to ship very far back west of the mill, as the whole structure of freight rates moves east. On a back haul you pay a high charge—on a mileage tariff in some cases—which is much higher than a straight commodity rate. The statement was made that they bought flour milled in Winnipeg and Saskatoon. I cannot think that that is a true statement of the facts. You cannot buy flour milled in Winnipeg and Saskatoon. It must have moved in from a mill either south or west of Saskatoon. The back haul cost and the rate would be prohibitive, unless the mill was absolutely compelled to slaughter the price of their flour. The statement that has been made with regard to an agreement on prices is unfounded. Go into the market to-day with tenders for 10,000 bags of flour and find out what price you will get it at. The whole system in the West is based practically on the zone rate. Over certain subdivisions certain prices rule. If that system was not in effect the mills would be confined to their own business. That fact was appreciated by Mr. Stewart during the life of the Wheat Board, and he put into effect, practically, the zone system that we have in effect to-day and which was in effect to a certain extent just before the establishment of the Wheat Board. The matter was investigated very thoroughly at that time, and Mr. Stewart appreciated that unless that system was in operation the domestic business of all the mills in the west would be demoralized. At the end of the Wheat Board's operation the price to the Canadian millers was \$3.15. It is quite true that the Wheat Board said: "We will buy back from you all surplus supplies of wheat you may have on hand that you do not want." That is perfectly true, but it was almost a case of one man trying to out-guess another. Some mills sold every bushel of wheat they had, and other mills did not. They were trying to work off this high-priced wheat over the whole year.

The DEPUTY CHAIRMAN: Gentlemen, Mr. Cornell is now ready to be questioned by members of this Committee.

Mr. CAMPBELL: The witness spoke about the dangers to the milling industry if the export of flour was controlled. Would it be absolutely necessary for the export of flour to be controlled by the Wheat Board?

Mr. CORNELL: I do not see how you can do anything else.

Mr. CAMPBELL: If the wheat was sold to you as it was before at a stated price, would it be necessary for the Wheat Board to control the flour?

Mr. CORNELL: If you are asking for authority for the Wheat Board to control the export and imports of flour. That is what they are constituted for. They had the power to prohibit exports and imports.

Mr. CAMPBELL: They did have before, yes.

Mr. CORNELL: Under present conditions it is practically impossible to find out— we ship many different grades of flour for export at different prices, depending on the quality.

Mr. CAMPBELL: You spoke of the variations of shipments of flour during the war. Would not that be on account of the buyers?

Mr. CORNELL: I believe Mr. Stewart wanted to have the figures on both commodities at the same time.

Hon. Mr. STEVENS: Supposing there was no declared or absolute control of the export of flour, but the whole of the wheat crop was in the hands of a Wheat Board and you had to buy it from the Wheat Board, would that interfere with your business as an exporter of flour?

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Mr. CORNELL: It would not if we could buy our wheat from day to day at the world's market price, not any artificial, fictitious price, and the Board would sell to us for future delivery based on the world's market; otherwise it would be a hand-to-mouth affair.

Hon. Mr. STEVENS: In other words, you have to have the option privilege?

Mr. CORNELL: Absolutely.

Mr. EVANS: You were allowed to sell flour to countries where the Wheat Board was not selling flour?

Mr. CORNELL: Yes; provided we paid a surcharge to the Board. In a great many cases where tentative bids were made, through the delay in finding out what our surcharge was to that country, and in receiving a Government permit to ship the flour, we lost the business.

Hon. Mr. MOTHERWELL: Has the witness any objection to a national voluntary Wheat Board?

Mr. CORNELL: I cannot say that we have, provided there are no compulsory features in connection with it, and we can be sure of getting our wheat supplies at a price in line with the world's market.

Hon. Mr. MOTHERWELL: If the Board did not do right by you, you would not need to patronize it.

Mr. CORNELL: Exactly.

Mr. NEILL: The previous witness and also this witness stated that there was no arrangement in connection with the prices of flour quoted by the various mills. If that is the case, why is it that I, who am in the flour business and buy flour by the carload, when I ring up three or four large well-known mills, invariably get the same quotation from each of them on their flour? There may be a variation in the price of bran and shorts, but the price of flour is always the same, and that condition has existed for years. How does this witness explain that condition?

Mr. CORNELL: There is no explanation to give of that, except that the prices are always in line. You cannot help it. Do you want any particular patronage from any one mill?

Mr. NEILL: Will you explain why one miller cannot help selling his price at a different price to another man?

Mr. CORNELL: Competitive conditions set the price just as competitive conditions set the price of wheat at the country points.

Mr. NEILL: Competitive conditions, I understand the witness to say, make the price the same.

Mr. CORNELL: Not the same exactly at every point.

Mr. McCONICA: What do you mean by saying we have competitive conditions at our selling points in the country?

Mr. CORNELL: You have several country elevators. I will leave that for the Winnipeg Exchange to answer.

Mr. BROWN: You indicated in the beginning of your remarks that the costs of milling differ according to the geographical location of the mills, and for other reasons. If there is that free competition in the milling without any arrangement for fixing prices, and in view of the fact that the costs of one miller must be much smaller than the cost of another, how is it that the prices are the same? Is one miller making an exorbitant profit?

The DEPUTY CHAIRMAN: Is not that the law of diminishing returns?

Mr. CORNELL: I think we have made that case very, very clear, that manufacturing costs are different. If every mill was located and selling flour at the point where the milling took place, it would be a different matter, but we have to put our product all

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over the country, and where you may have an advantage in getting that flour to the market the other charges bring it up to level.

Mr. MILLAR: The difference in cost has been referred to by Mr. Brown, varying from 65 cents in one case to \$1.42 in another, and you refer to other overhead charges that brought the various mills on a parity with regard to price when the Wheat Board does not function. Would those factors enter into the matter and place those different mills on a parity when the Wheat Board does function?

Mr. CORNELL: No.

Mr. MILLAR: Then take the one mill manufacturing at 65 cents a barrel. If that flour was supplied to the consumer without those overhead charges, a great deal would be saved for the consumer?

Mr. CORNELL: It cannot be done, because you have to move your flour to the point where the market is.

Mr. MILLAR: You, said a moment ago that the factor that places them on a parity under the Wheat Board is not flour.

Mr. CORNELL: I do not get your point.

Mr. MILLAR: In the one case a barrel of flour is manufactured at 65 cents and in the other case at \$1.42. You have stated that the placing of the flour on the market that is manufactured for 65 cents costs so much and is placed on a parity with the flour manufactured at \$1.42. Under the Wheat Board would this barrel of flour manufactured for 65 cents entail these extra charges, or would it go direct to the consumer without those extra charges?

Mr. CORNELL: No, because there was a set price on flour during the existence of the Wheat Board.

Hon. Mr. STEVENS: Did the Wheat Board take delivery at the mill or some given point?

Mr. CORNELL: Usually at the seaboard on the export market, and on the domestic market they simply set the price.

Mr. MILLAR: You have referred to warehouse charges. Would this 65-cent flour entail those warehouse charges under the Wheat Board?

Mr. CORNELL: I would say generally, yes.

Mr. MILLAR: It looks to me, according to your own evidence, as if there should be quite a saving. A statement was made by Mr. Sales to which you replied. Here is the experience I had some time ago. I purchased flour at Indian Head—I have forgotten the price. A few days later I was in Vancouver. In fact, I purchased the flour to send to Vancouver, believing I was going to save some money, and when I got to Vancouver I found the same flour was selling at, I think, five cents a hundred less.

Mr. CORNELL: That is a competitive condition that is on every market across the Dominion.

Mr. MILLAR: Those competitive conditions do not operate as much as we would like. The price of wheat is not fixed by competition but by the Grain Exchange.

Mr. CORNELL: That is a matter for the Grain Exchange.

Mr. SALES: Have you the questions I handed to you?

Mr. CORNELL: Yes, and we tried to get the information, but unfortunately the questions were given at a very late hour.

Mr. SALES: Give me what you have got.

Mr. CORNELL: You asked for prices at Saskatoon and Medicine Hat?

Mr. SALES: And Moosejaw.

Mr. CORNELL: On wheat and flour on October 31, 1921, November 30, 1921, and December 31, 1921. The actual prices paid for No. 1 Northern wheat at Saskatoon [Mr. F. C. Cornell.]

on October 31 was 95 cents per bushel; November, \$1; December, 97 cents.

Mr. SALES: Now, flour.

Mr. CORNELL: Flour prices at that time were selling in the neighbourhood of \$3.30 per bag.

Mr. SALES: To the consumer?

Mr. CORNELL: I do not know the consumers' price; we are not interested in selling flour to the consumer.

The DEPUTY CHAIRMAN: You sell to some of the big brokers?

Mr. CORNELL: Yes.

Mr. SALES: \$3.30 at all these points on all those commodities.

Mr. CORNELL: Approximately so, yes.

Mr. CAMPBELL: Might I ask the witness to repeat that statement in a louder voice?

Mr. CORNELL: Flour was selling at these points at approximately \$3.30 per bag of 98 pounds on the 31st day of October, November and December, 1921.

Mr. SALES: Could you tell us the price you sold the flour at during the period of the Wheat Board's operations until the price was raised 50 cents?

Mr. CORNELL: I could not say.

Mr. SALES: Surely some of you know that?

Mr. CORNELL: I have not the figures with me.

Mr. SALES: Mr. Chairman, it seems to be impossible to get this information from the witnesses. During the operation of the Wheat Board the farmer was receiving practically \$2.63 at Fort William or, less freight, \$2.40 a bushel. Three times that is \$7.20, and we were buying flour at about \$7.25, three bushels of wheat for a sack of flour. This fall, he states, it is 95 cents. I think he is probably quoting the carload price instead of the load price. We were selling wheat by the load at the country elevator, not by carload, and getting 80 cents a bushel, and buying our flour at \$4.15. This year we were paying five bushels of wheat for a sack of flour, and it all leads to the conclusion that the consumer would not suffer if the milling industry was regulated as it was under the Wheat Board.

General LABELLE: May I answer that statement, Mr. Chairman?

The DEPUTY CHAIRMAN: Yes.

General LABELLE: In the first place, you are talking about the one grade of flour. To begin with, there was a difference of about 70 cents a barrel between the quality of the flour you were buying then and the quality of flour you are buying now. When flour was so high per bushel the cost of manufacture is the same whether the price of wheat is high or low, there is a larger proportion of the lower priced wheat than the higher.

Mr. SALES: I did not quite get that.

General LABELLE: If it takes 3 bushels of wheat at \$3.80 to make a barrel of flour—

Mr. SALES: Not to make it, to buy it.

General LABELLE: I sell it and I buy it, and I make flour with it and suppose you are paying \$2.60 for each bushel I buy, my cost price is 85 cents a barrel and you realize the proportion when wheat is down to 85 cents, my proportion at 85 cents, towards wheat at \$2.60 is quite different.

The DEPUTY CHAIRMAN: I suppose raw material may vary but the manufacturing cost of changing the raw material into the flour remains, whether grinding the high priced wheat or the lower priced wheat.

Mr. SALES: I quite agree with you. We find that out by experience. For instance, we were paying just about as much for boots when we could not get hides

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here, as when hides were at the low price, and the cost of production is far more important than the cost of the raw material. I am looking at it from the exchange point of view.

General LABELLE: I can assure you on the part of the miller that this is not correct.

The DEPUTY CHAIRMAN: Mr. Sales said he wants to know what the price of flour was or the price of wheat. Just say what you want, because it seems to me it is evidence which should be available, and we perhaps could get it if it is available.

Mr. SALES: Our farmers in the West have wanted time and time again and we have talked the matter over as to why it was we got for three bushels of wheat a sack of flour from the Wheat Board, and when we wanted a sack of flour in October this year we had to deliver 5 bushels of wheat to get that sack delivered. I want to know why. I readily realize the cost of production is the same, but there is less cost in the raw material which enters into that and the idea with us is that the mills are taking an undue advantage because of that regulation.

The DEPUTY CHAIRMAN: What you asked for, I just forget what it was, what price flour was selling at at certain dates. That should be available. You should be able to get that information. It has been asked for, and I would like as Chairman of the Board to have Mr. Cornell furnish it. Just tell me what this is so that we will be sure to have it right.

Mr. SALES: The price of wheat and the price of flour at the end of the month of October, 1921, and November and December.

The DEPUTY CHAIRMAN: That has been given.

Mr. SALES: Now then the price of flour under the Wheat Board until the raise was made of 50 cents a bushel for wheat.

The DEPUTY CHAIRMAN: The price of flour at corresponding dates the year before?

Mr. SALES: No, they raised the price 50 cents a bushel on November 27, I think it was the year before.

The DEPUTY CHAIRMAN: The Wheat Board existed how long.

Hon. Mr. STEVENS: 1919, a year.

The DEPUTY CHAIRMAN: Would you furnish the Committee with the cost at the end of each of the 12 months during which the Wheat Board existed of both wheat and flour at say, Saskatoon.

Mr. SALES: Alright.

Hon. Mr. STEVENS: Would it not be accurate if we had this: I don't think it is fair to suggest that we simply take a bartering position on this on what you could barter, wheat for flour. Why not take this position: What was the cost of wheat at a given date, and what was the cost of manufacturing, what was the value of the product?

The DEPUTY CHAIRMAN: The price of the product?

Hon. Mr. STEVENS: The price of the product placed on the market and take exactly the same price this year or whenever you like, say the fall of 1919 and the fall of 1921. You would have to get a fair comparison because as Mr. Labelle has properly pointed out, you have a great mill expense with its overhead, with its original cost of installation; that means a fixed charge for all time on that mill; and there is insurance and all those figures. That applies as much to wheat grown at 85 cents as at \$5 a bushel, but when wheat is \$5 a bushel you spread your fixed charge over a larger sum of money. We will say wheat is 50 cents for the sake of argument. You spread 50 cents over \$5 you have 10 per cent. You spread it over \$10 you have 60 per cent. It is not fair to say these fixed charges must come down corresponding to

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the drop in the price of the product. If we want an accurate estimate we must take those factors into consideration, and have these principles apply to both occasions.

The DEPUTY CHAIRMAN: I will ask Mr. Cornell, who is Secretary of the Association to produce at our next meeting the cost of wheat, the cost of production and the price of flour for the time during which the Wheat Board, the 12 months during which the Wheat Board was in operation, and the corresponding 12 months starting from the time the Wheat Board ceased operations, would that be satisfactory?

Mr. SALES: And this year as well.

The DEPUTY CHAIRMAN: The twelve months past.

Mr. CAMPBELL: In the figures you have asked for, you do not mention whether it is street price or track price. There should be some distinction made.

The DEPUTY CHAIRMAN: Mr. Sales, I don't know what a street price is or a track price is. Which one should I ask for?

Mr. SALES: That would be street price. Would you include in it the price at Montreal also?

The DEPUTY CHAIRMAN: Saskatoon is an important western point, and Montreal is an important eastern point.

Mr. LUCAS: I would like to ask the witness if his association of millers operated at a profit during the operation of the Wheat Board?

Mr. CORNELL: Our Association is not in business for profit.

Mr. LUCAS: The individual millers operated at a profit.

Mr. CORNELL: That is a question I cannot answer. Some millers did and some millers did not.

Mr. LUCAS: I understand Mr. Labelle said he did as a miller. What I would like to get at is this. If they operated at a profit during the Wheat Board, how did that profit compare with the profits now when they are under decontrol, to show whether the price will not be affected through profits as compared with other years when they were not under control.

Hon. Mr. STEVENS: Take into consideration the conditions. Your question is absurd.

The DEPUTY CHAIRMAN: Can you tell, Mr. Lucas, generally speaking, whether the mills are doing better as far as your opinion goes, under control or under decontrol.—A. They are doing better under decontrol I think.

Mr. SALES: Was there any injustice done to the mills by the operation of the Wheat Board.

Mr. CORNELL: They say yes, and some other people say no.

Mr. GOOD: I would like to point out in reference to Mr. Stevens' remarks, that the farmers cannot very easily charge up a stated interest on their investment when the price of wheat dropped from \$3 a bushel to \$1 a bushel. I just thought the point might escape the Committee, as the argument he advanced on behalf of millers might be advanced on behalf of the farmers.

Hon. Mr. STEVENS: I submit it is not a fair proposition at all to say that I advanced this argument on behalf of the millers. I made no such argument on behalf of the millers. I stated what is absolutely an economic law as you cannot escape it. You may kid yourself into thinking you can escape it, but you cannot, and I resent very very strongly the suggestion of Mr. Good, and on one or two other occasions, that when I make an observation of this kind it is interpreted as being on behalf of the millers. Let me tell the farmers here present, and it may not be much comfort to the millers. I am inclined to favour the establishment of a Wheat Board, but I want to say that observations of this kind are not very much calculated to

[Mr. F. C. Cornell.]



encourage one to seek for the establishment of the Wheat Board. One would come to the conclusion it does not make a bit of difference what you do. You can never satisfy some men and you cannot discourage this opinion or that opinion and still get a bat in the eye for it. Now I have been sitting here very quietly listening to innumerable speeches every time a question is asked, and I have only asked a few questions and I think they are more or less calculated to get correct information. What I want to do is this, and I hope the gentlemen accept it in good faith, that we should get information that is accurate and not half-baked, that is what we want. What is the use getting answers to certain questions, and when you come to put them into legislation you will find the premises are wrong. This question as propounded must be considered before you take advantage of the implied results or the result that was hoped to be secured, and my friend says he does not calculate his interest on his plant when he discussed this, but take a mill plant like Ogilvys, Lake of the Woods, they can mill cheaper when they are milling on an enormous scale. That plant has out say, \$2,000,000 of bonds, sometimes more than that bearing interest, and I want to suggest that no intelligent Committee of Parliament will refuse to recognize that the interest on those bonds are a legitimate charge. If that is the policy, let us know it, because I for one will never subscribe to it. That is the situation I say we have to face, and we might as well face it now as at any other time, and I would ask Mr. Good and some others when I make a proposal of this kind to please keep their opinions to themselves as far as my advancing arguments for the millers is concerned.

The DEPUTY CHAIRMAN: I accepted Mr. Stevens suggestion because I thought it was a perfectly just one, and I thought the Committee thought so too, and I think Mr. Good's reflections were "Out of the fullness of the heart, the mouth speaketh." There are times when people are accustomed to charge interest on their capital invested. If they did this they would get discouraged looking at the deficit, but I don't think there was any reflection meant and I think the whole Committee has been co-operating and working in most splendid harmony, and I am sure that attitude will be persisted in. Did you wish to say something, Mr. Good?

Mr. GOOD: I want to say in the first place that I am sorry that Mr. Stevens has misinterpreted my remarks. I certainly did not impugn his motives at all, I only wished to point out that perhaps in connection with his remarks the millers would be justified in making certain representations, but the effect of that fact should draw out what appeared to be that they might appear to be justified in claiming, as perhaps they are justified in claiming. I am not disputing that upon a certain percentage of stock there is an overhead on their investment, and I wish to point out for the information of those present that the farmers are at least in a similar position and I say that if Mr. Stevens or any other gentleman here has misinterpreted my remark I certainly wish to correct the misinterpretation, and apologize for any apparent impugning of motives or anything of that sort. I certainly want to state very frankly that Mr. Stevens' remarks in this Committee, so far as I have heard them have been very fair, and I hope he will extend to me the same tolerance that I extend to him. Just while I am on my feet I want to ask Mr. Cornell as to how the cost of milling was determined, as to whether or not—

The DEPUTY CHAIRMAN: Let us have one question at a time. First of all how is the cost of milling determined?

Mr. GOOD: I am just amplifying my question as to how the cost of milling was determined, this cost that is alleged to vary between 65 cents and \$1.42. Was that for a barrel of flour? Now, I want to know whether or not included in the estimated cost of manufacture there was the interest on the investment, or if not what elements or what items were included in the cost. I presume that the cost of selling, advertising

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and all that sort of thing was not included. I think there is a little doubt in my mind and perhaps there is in the minds of others here as to how that cost was determined.

Mr. CORNELL: I cannot say at the present time just how that cost was determined. I know it was determined on exactly the same basis as the Canadian Wheat Board asked for their cost return.

Mr. GOOD: Did it include interest for investment?

Mr. CORNELL: I don't think so. We made up two statements, if I remember correctly, the first one included investments, the second one did not.

The DEPUTY CHAIRMAN: Could you have that for us at the next meeting.

Mr. CORNELL: No, sir. These records are destroyed, and not only that they were given me in confidence, I am not prepared to give them to anyone else. That is the understanding I got them on.

The DEPUTY CHAIRMAN: It just strikes me that the value of all evidence is depreciated when a broad statement is made, and then there is a disposition shown to desire to withhold information, to show how that statement is built up. Any more questions to Mr. Cornell. I must thank Mr. Cornell on behalf of the Committee. Is there any more business we have before us this morning, any more witnesses to be heard?

Mr. JOHNSON: Might I ask what the agenda is for to-morrow?

The DEPUTY CHAIRMAN: Let us find out if there are any more witnesses to-day.

Mr. CORNELL: There are no more to-day.

The DEPUTY CHAIRMAN: What is the agenda for to-morrow.

Mr. CORNELL: The Winnipeg Grain Exchange to-morrow.

The DEPUTY CHAIRMAN: Does it say who are going to be here? I don't know who they will be.

Mr. CORNELL: Dr. Magill is here.

The DEPUTY CHAIRMAN: Is he here now. Dr. Magill would you like to get started? We have half an hour, and a large number of us are Scotch and we are fond of saving time as well as other things.

Dr. MAGILL: I might make one or two preliminary remarks, and what I am going to submit to this Committee consists mainly of a few figures. The figures are in the form of charts. That would form the essence of my statement, and these charts—I have not got them here, but I have some preliminary remarks to make before introducing these figures, and if it is your wish I will make these now.

The DEPUTY CHAIRMAN: I am in the hands of the Committee but my own personal feeling would be we should get started and get these remarks and we could afterwards go into the charts.

ROBERT MAGILL called, sworn and examined.

WITNESS: Of course, Mr. Chairman and gentlemen, I don't wish to make any statements to-day and if I show just a little hesitation in the construction of my sentences, I would ask you to bear with that. The first preliminary remark that I would wish to make to the Committee, if it is in order is this: The grain trade has been investigated very many times during the last thirty years. I wish to say on behalf of the Winnipeg grain trade that we appreciate very deeply this fact that the speakers for the Council of Agriculture before this Committee put their case on a very high plane. They called no names; they flung no charges against the grain trade, and any violence of language was left by them altogether to a gentleman from

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Toronto representing the millers, speaking as a grain broker, and flinging somewhat violent charges against the trade, not because of any evidence which he submitted, but because of incomplete press reports of an investigation that had never been completed and because of rumor, and he made charges against the inspection system, and against our deliveries of grain at Fort William without submitting details of the numbers of the cars, dates or anything else, and on that kind of evidence he flung his charges of robbery. We appreciate very deeply the fact that the representations of the farmers before this committee took a very high level. The farmers argued their case on what they believed to be genuine economic grounds and we desire to do the same. The next remark I wish to make is this: judging from some reports one would imagine that the Winnipeg grain trade and the Wheat Board, the old Wheat Board, stood in the relation of mortal enemies. Now, what were the facts? When the Wheat Board got together under the Defence of the Realm Act what did they do? They negotiated with the Winnipeg grain trade, and the negotiation resulted in the employment by the Canada Wheat Board of nearly the whole of the trade. The Wheat Board when it met had no elevators, and the Government had no elevators to give it. They had no elevator managers or staff. The Wheat Board called in and employed the companies that manager what the farmer members themselves have described before this committee as the splendid, the almost unsurpassed machinery for the handling of grain that we possess in Canada. The Wheat Board called in the grain trade. The Wheat Board used the elevators. The Wheat Board used the managers. The Wheat Board used the staffs and the elevators from the Atlantic to the Pacific. The Wheat Board employed the lake shippers for the loading of boats. They employed the clearing houses. They employed the brokers. They employed the commission men, and they employed the freight shippers and the exporters to take the grain at Fort William and place it at the seaboard for them. The Wheat Board employed, I suppose, 75 per cent or perhaps 80 per cent of the existing grain trade at Winnipeg. Not only did they employ them; they paid them. They paid them a fair and reasonable return for their services, and if we at the present time object to the recreation of the Wheat Board, it is not because of any specific deal; it is not because they did not treat us fairly and reasonably; it is not because we have any belief that they failed in their services—they rendered splendid service,—I am speaking of the Wheat Board—not merely to the producers of this Dominion, but to the whole of this Dominion. It is not for such reasons as that that we appear here to-day to make a case on the other side. We did not, and we cannot to-day, regard the old Wheat Board as simply a selling agency. We cannot do that, because if you take up the Order in Council extending the powers of the Wheat Board—I do not know whether they are on the table—

The CHAIRMAN: Which Order in Council?

Mr. MAGILL: The report of the Wheat Board published all the Orders in Council, and probably the members of the Committee are familiar with the powers of the Board. In that Order in Council the very first paragraph empowers the Wheat Board to buy and sell wheat, and if you read some other parts you will find that the Wheat Board had power to put out of business every other buyer of wheat. It had power to compel every handler of wheat to take a license from them. Under the Canada Grain Act, the handlers of wheat had licenses from the Dominion Government. But the license of the Dominion Government was not enough for the Wheat Board. The Wheat Board made every handler of wheat take a license from the Wheat Board. Let me turn to the Order in Council. The Order in Council 1589 dated Ottawa, Thursday, the 31st day of July, 1919, reads that the Board shall have power to buy and sell wheat and wheat products at any point in Canada.

[Mr. Robert Magill.]



That is not all. If you look at the regulations issued by the Wheat Board you find this: (Reads)

"When wheat purchased by a licensee of the Board arrives in store at a public terminal elevator as above provided or any other point pursuant to the regulations or directions of the Board, the Board will purchase or provide a purchaser for the same."

That is not all. You find that the Board can require any man who owned wheat and had it either in the warehouse, or in the car or shed—they could require him to hand that wheat over to them or to any party whom they named. In other words, the Wheat Board had not only power to buy the wheat; it had power to seize wheat, to commandeer it. That is not all. The Wheat Board is a peculiar kind of selling agency because, as I have stated, it had power to put all other agents in this country out of business. Selling agents as a rule do not have that power. That is not all. The Wheat Board had compulsory powers over railway companies. That, of course, is recognized. The Wheat Board had certain compulsory powers over lake shippers. The Wheat Board superseded the Canada Grain Act in regard to the licenses, in regard to the car distribution and in some other respects. Not many selling agents in Canada can do that. That is not all. The Wheat Board had power to supersede the tariff legislation of this country. The Governments of the United States and Canada might have free wheat, free trade in wheat and wheat products. But the Wheat Board was given the power to prohibit the export out of Canada or the importation into Canada of any wheat or wheat products otherwise than in accordance with the regulations or orders of the Board. I do not know why it has been insisted on so often that the Canada Wheat Board was simply another selling agency. The phrase "selling agent" may be studied either in commercial practice in this country or in our commercial law; but in either our commercial practice nor in our commercial law—I speak with all due deference sir as you are an expert in law—but I feel that I am right in saying that neither in our commercial practice nor in our commercial law can we find a selling agent vested with such vast powers as this. You can call a man anything; you can call me a beauty; but if you speak of a Board as simply a selling agent, if you describe it that way, you must surely admit that a selling agent who is empowered to buy, who is empowered to, commandeer—who has the vast powers I have named by law—is not the kind of selling agent that we find anywhere in Canadian commercial practice or in Canadian commercial law. Now then, if the Wheat Board were only a selling agent there should be no difficulty or very little difficulty about it. There could be very little constitutional difficulty about it. I speak again sir with all due reference. But I interpret the decision of the law officers of the Crown as meaning that those compulsory powers are the essence of the constitutional difficulty. There would be no such difficulty with a voluntary board, for the agent in commercial practice and in commercial law is a servant. His master or employer is called the principal, and under our law the agent must take his orders from the principal. But under the Wheat Board, everybody had to take orders from the Wheat Board, and we did—there is no mistake about that. The old Wheat Board, created out of our Defence of the Realm Act, created for the purpose which was perhaps essential to the defence of the country in the economic sphere—such a Wheat Board, all such institutions in the United Kingdom, in every part of the British Dominions—all such agencies were war agencies for the defence of the nation. It would have defeated the purpose for which they were created had they been created merely as selling agents. So far as wheat was concerned, they were our masters through and through: and it is only confusing the issue I think—we at all events who are in the grain trade, considering its powers, cannot regard them merely as selling agents, and you can make very little comparison between a board of that kind as a seller of wheat and a seller as defined in commercial practice.



I shall go on to another point. I want to ask this committee if they will analyze the phrase, "marketing of wheat." We have heard it often. Our farmers cut their wheat in the west, thresh it, but not many of them, I understand, stack it. As a rule, it is threshed from the stook. I do not know whether some of the Galicians thresh the wheat; as a rule it is threshed from the stook. I think you will all agree that the farmer does not market his wheat so long as he keeps it on his farm. We will all agree with this that when he hauls it to the elevator and sells it, he markets his wheat. But does he market his wheat when he hauls it to the elevator and holds it in store? Does he? That is the question I want to put. Is he marketing his wheat when he keeps it in store? I do not think he is. We call it visible wheat, and yet through the many discussions on this subject it has been assumed that all wheat hauled out was marketed. My judgment is that the wheat sold is marketed. The wheat stored is held where it can be quickly marketed, but I do not think it is altogether correct to speak of that as the marketing of the wheat. In the case presented by the Council of Agriculture to the Government, the statement is made that the increase in price this year began in February, and that when the increase began or showed itself only 30,000,000 bushels of the total crop was available for that increase, and that all the rest of the crop was marketed before the increase took effect so to speak. I have not the memorandum here, but most of you will recall what it stated. What I want to suggest is that in the month of August there were three and a half million bushels of new wheat inspected, and in September there were 32,000,000 bushels of new wheat inspected, and the September prices were higher than the prices have been since. All that was inspected, was it all marketed? I do not know. Some of it was sold at that high September price. The rest of it at all events was in store, and was available. It was in a position in which it could have been sold at the September prices. The 30,000,000 bushels were in the farmers' hands by the 1st February according to the Council of Agriculture. I do not know. It is very hard to state how much wheat is held on the farms but I know that Mr. Sanford Evans estimated that five weeks later there were still 40,000,000 bushels on the farms to be hauled out. Whether Mr. Sanford Evans' estimate is correct I cannot undertake to say. We can all guess, and one man's guess is as good as another and a darned sight better. But it is true that while the price this year declined, of the wheat that was held in store in the elevators a considerable percentage was owned by the farmer himself and that when this increase set in a considerable percentage of the wheat at Fort William was held by the farmer himself. I submit that it is hardly fair to say that only 40,000,000 bushels of the present crop will be sold at the higher price. It forgets how much was hauled out in September; it forgets how much was held in store by the farmer six weeks after the higher price had set in. The reason for that statement is probably the condensed summary. I am quite certain that there was no intention to be unfair in giving the figures. It is probably due to the necessity of presenting their case in a very condensed form, but it does emphasize what you mean by the marketing of wheat in Canada. Mr. Hamilton made out the best case in my judgment. He gave the figures of the wheat marketed by Canada and of the wheat bought by England month by month, 70,000,000 or 60,000,000 marketed by us, and 20,000,000 or 30,000,000 bought by England in the same month. There is no mortal man knows when the English buy the wheat that is unloaded in their ports in the month of October. This we do know, that wheat unloaded in English ports in the month of October was bought three, four or six months before October began. We know that. England has to provide flour and bread for 45,000,000 people, and Germany has to provide for 65,000,000 people. Do you suppose that it is their purchases in the month of October that are landed there during the month of October? At the present time the English and European buyers who can afford it are buying the new crop of Kansas wheat which will be cut next July, making absolute iron-clad contracts with exporters on this continent with regard to the wheat that is not yet cut. Mr.

[Mr. Robert Magill.]

Robinson, another stubborn Irishman like myself, wanted to know what right any man had to sell wheat before it was cut? If you do not sell the wheat before it is cut, you will give it away after it is cut; you will not sell it. Do you think it is possible for the European peoples who are dependent upon the imported flour and wheat to ensure their supplies by day to day purchases after the wheat is cut? I am sure there is not a man in this room who believes that. Those overseas countries buy their wheat months and months ahead, and if we are not in a position to offer our wheat until we cut it, we will not sell them the wheat; we will make them a present of it. Other countries will—if we do not—make such commercial arrangements with those people who estimate ahead their needs in the matter of wheat. They will find people willing to contract with them for the supply of their foodstuffs three, four or six months, and if necessary, twelve months ahead. I suppose every member of this committee knows about the British Mercantile Marine, the greatest creation of the European war, greater far than our navy. The curious thing about Britain is that she pays no attention to elevator buildings; she has a few port elevators, that is all. England only plans to have seven or eight weeks' supply of wheat for her 45,000,000 people actually in Britain. They are not interested in the elevator costs of carrying wheat. They leave that to the United States and to us; but they have based their whole commercial existence on the mercantile marine, and they want their liners to go out from Britain carrying their products to the ends of the earth every week in the year, and to return with full cargoes every week in the year. As long as Great Britain can ensure that condition of affairs, there will not be any fear of our commercial defeat. How can she do that? Those liners leave Britain every week carrying their stuff to Canada, the United States, Argentina, Australia and India, to every country where there is food to ship back, and those vessels return with food-stuffs. I shall be able to submit charts showing how uniform are the deliveries of wheat in the English ports every week in the year. It is almost as though it were deliberately planned by a board of the ablest men in the British Isles. It is only the outcome of the biggest thing in British commercial life, the work of the mercantile marine, and the whole success of English commerce has been determined by the vessels regularly leaving Britain with full cargoes and regularly returning full. When do the English buy our wheat? We have no October wheat on the boards yet. We thought you were going to close us down. During the year the Wheat Board was in existence we could not operate on the Grain Exchange until we got permission, could not put up October wheat until we got permission. What happened? The Wheat Board could not sell the new crop ahead because it was not permitted by law, and we were not permitted to try it. What happened? The British said, "We cannot buy your October wheat ahead. We must buy wheat." They bought wheat everywhere, and they bought so much wheat at a time when we could not sell or make arrangements with them for our new crop that when we did get our crop on the market they hardly gave us one bid for five months. Whose fault was it? It was due to our own stupidity, very very largely.

Supposing wheat is not sold but is held in elevators; what is the cost of holding to the man who holds it? If a farmer holds his wheat and does not sell it, what is the cost to him of holding it for a higher price? The cost is made up of storage, interest and insurance charges. The storage charge is fixed by law under the Canada Grain Act through the Board of Grain Commissioners at 1/30th of a cent per bushel per day, including insurance; so that the storage and insurance charges cost the farmer a cent per bushel per month. The other item is the interest, and with wheat at present prices and money at 6 per cent or 7 per cent, the interest charge to-day is practically half a cent per bushel per month. At the present time if a farmer holds a bushel of wheat in storage at a Fort William terminal elevator, he must pay a cent and a half per bushel per month to that elevator as long as he keeps the wheat there. This is what we call the carrying cost of wheat. This is as well known to every Western



man as A B C, but not to Eastern men, perhaps, and I would point out that if a bushel of wheat in the month of December at Fort William is worth \$1 and is taken to Montreal at a cost of 12 cents or 15 cents, it will be worth \$1.12 or \$1.15 at Montreal; that is the cost of transportation. But if a bushel of wheat in the month of December at Fort William is worth a dollar, what ought it to be worth if it is kept there five months? Five cents and five times a half (which is two and a half) would make it worth \$1.07½. Take, for instance, two farmers living side by side who send two carloads of wheat to Fort William in December. One farmer sells his wheat at \$1 a bushel, and the other farmer holds it for five months for a higher price and pays seven cents carrying charges and gets \$1.04 or \$1.05 per bushel for it. Then he goes to his neighbour and says "You sold at a dollar, you fool. I sold at \$1.05 and beat you out." Such a conversation could only occur in the East. It could never occur on the prairie provinces!

Tomorrow I desire to submit some figures on the closing price of wheat every day in the year, from the year 1908. I will do so in the form of pictures. I would also submit to this Committee that if you take into consideration the cost of carrying the wheat in elevators, the statement that wheat is always cheap three months in the year and always dear during the following nine months is not true. I want to submit that it is not true on the average in times of peace. I will surrender to you the war years. I want to prove that it is not true on the average. Supposing the farmer keeps his wheat at home on his farm and does not pay the cent and a half a bushel charges. You will agree with me that he loses the interest, anyway. He must have bins in which to hold that wheat. We shall not bother about fire insurance, because the danger of fire on a farm is practically nil, out in that country anyway. It is not so much the danger of fire as the danger of being frozen that causes farmers to be afraid. There are other risks involved in holding wheat on a farm. The living organs in the wheat berry require 13 per cent moisture in order to survive, and if the moisture goes to 16 per cent or 18 per cent, it is excessive, and every farmer knows the danger of holding wheat if it contains too much moisture if there are no means of treating it and drying it. The point is that if an elevator should receive a cent and a half a bushel a month for carrying the farmer's wheat, should not the farmer have anything for that service if he carries it at home? There are just two ways of treating it. We may say he should not count that service any more than he counts the labour of his wife and children. He may provide that service for nothing and leave it to the wise Secretary of the Grain Exchange to tell him how well he is doing! I think the farmer who keeps his wheat at home in the winter months is just as much entitled to that charge as the farmer who puts it in storage. Now, gentlemen, I will ask you to wait until I get my charts before continuing my evidence.

The Committee adjourned at 1 o'clock p.m. until 11 o'clock a.m. on Tuesday, April 25.







SELECT STANDING COMMITTEE

JACKMAN

ON

# AGRICULTURE AND COLONIZATION

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Minutes of Proceedings and Evidence

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No. 7—TUESDAY, APRIL 25, 1922

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Mr. Robert Magill, Secretary Winnipeg Grain Exchange (Continued)



20 1943

SELECT STANDING COMMITTEE ON AGRICULTURE  
AND COLONIZATION

MINUTES OF PROCEEDINGS

The Committee met at eleven o'clock, a.m. Present:—Messieurs Kay (in the Chair), Anderson, Baldwin, Bowen, Brethen, Carruthers, Charters, Evans, Forke, Forrester, Good, Halbert, Jelliff, Johnson (*Moosejaw*), Jones, Kennedy (*Glengarry and Stormont*), Lapierre, Leader, Léger, Lovie, Lucas, MacKelvie, MacLean (*Prince*), McMaster, Maybee, Millar, Milne, Morin, Morrison, Motherwell, Pritchard, Rankin, Sales, Sexsmith, Sinclair (*Oxford*), Sinclair (*Queens, P.E.I.*), Spence, Stansell, Stevens, Stewart (*Humbolt*), Thurston, Tolmie, Warner, White, Wilson and Woodsworth.

Mr. Robert Magill, Secretary of the Winnipeg Grain Exchange, was again in attendance and was further examined. The statistics and reports submitted by this witness, marked as exhibit No. 1, were ordered to be included and printed in the minutes of evidence. Witness discharged.

Committee adjourned at one o'clock, p.m., to meet at eleven o'clock, a.m., on Wednesday, April 26th, 1922.

ARTHUR GLASIER,

*Clerk to Committee.*

Included is exhibit No. 1, "Statistics and Reports of the Winnipeg Grain Exchange."





## MINUTES OF EVIDENCE

COMMITTEE ROOM 424,

HOUSE OF COMMONS,

TUESDAY, April 25, 1922.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock, a.m., Mr. Kay, the Chairman, presiding.

The CHAIRMAN: The meeting will please come to order. I believe, gentlemen, yesterday you had the pleasure of listening to Dr. Magill. He has not yet finished, and is ready to continue this morning.

Dr. MAGILL: Mr. Chairman, I have some figures about the movement of the crop to which I wish to refer for a moment.

Mr. SALES: Mr. Chairman, before Dr. Magill starts his evidence in connection with these charts, I wonder if I might be permitted to ask a question. I should like to do so now, in as much as there is a meeting of the sub-committee of the Government with the western premiers, dealing with the Natural resources question, which is a forty or fifty year old question. I also want to be here, but in as much as I cannot be in both places at once, I should like to have my question asked now, as I did with Mr. Hamilton the other morning, if that would be agreeable to Mr. Chairman and to the Committee. It is not a very important question, but it is one that has been on my mind.

The CHAIRMAN: I think the Committee would be very glad to allow that.

Mr. SALES: I will have to address a few remarks though, to the Committee, Dr. Magill. I have noticed, Mr. Chairman, that during all the evidence practically all the millers who have given evidence took the ground that they did not like the idea of being confined in their purchases by a compulsory Wheat Board. They all took the ground that they wanted the liberty to buy where there were many sellers, or at least alternative sellers. That was a natural position for them to take. If we had a compulsory Wheat Board, is there not a danger of our foreign buyers, including the United Kingdom, taking the same attitude, if the selling is all in one hand in Canada? Is that not a natural deduction to make? Or is there any gain if we invoke the services of others, of which there may not be much danger now, but there may be on the part of a provincial compulsory system? Is there not the danger of having a repelling effect, if buyers can get the kind of wheat we grow anywhere else, and of driving them away from our shores? Is that only imaginary, or is there a probability of it? I should like to know Dr Magill's view on the question. He has been studying this question, he represents the Grain Exchange, and these phases of it must have come to his attention. I should like to have his opinion, and then I will have to forego the pleasure of hearing the rest of the gentleman's evidence.

Dr. MAGILL: I think, Mr. Chairman, that our best experience throws a little light on the question put by the hon. member. After the war broke out and got going, Great Britain bought all our wheat through one buyer, and the operations of one buyer in Winnipeg, covered all our Canadian grain on the open market. A little later the French buying was done through the same one buyer, and the Italian through the same one buyer, and a little later still the neutral nations in Europe, under arrangements, imposed upon them by the British Government had to take their wheat through one buyer. If there was anything in the history of the war that threatened this country it was that. I am free to confess that the flood developed

[Mr. Robert Magill.]

again on the part of the importing countries of Europe. I, for one, would vote for immediate action on the part of the Canadian Government. Not only did that happen, but there was also this: The greatest argument for the continuance of control in the United States for an additional year was the fact that the European buying was controlled over there. Mr. Julius Barnes time after time stated that he did not believe in control, but that he did not think it a fair thing that the individual farmer in the United States should be up against such centralized buying on the part of importing countries in Europe.

I would ask you to remember this: The allied buyers in Europe—Great Britain, France and Italy—are poor. Over here in Canada we have not realized how poor Great Britain is to-day for purposes of international buying. We have not realized her immense burden of debt, her immense taxation, or her troubles all over the world. For generations the British have bought in the cheapest market without sentiment. There never was a day when the British would have taken our wheat if it cost them half a cent a bushel more than similar wheat elsewhere—not for generations—in the days when Great Britain was the richest country in the world. Does any man honestly pretend to believe that under existing conditions Great Britain will buy wheat from any quarter if she can get it cheaper elsewhere? Let us centralize our buying, let us develop the idea of Mr. Justice Hyndman and get all exporting countries to agree on centralized selling. Do you mean to tell me that those struggling nations in Europe will not immediately centralize their buying?

I was intending yesterday, as a preliminary remark, to point out this danger and leave it with the members of the Committee: Let them examine their own thoughts as to what they would do were they living in Great Britain, with its appalling burden of debt, struggling not only for commercial supremacy but for commercial and national survival. What would you do if you were living in England, and were confronted by Government centralized agents, to try to increase your price?

I would say in answer to the question of the hon. member that in my judgment the use of governments on the part of exporting countries to try to sustain or put to a higher level the price of wheat, will be promptly followed by government agencies over there to fight them on their own ground. It would take a big country to smash Great Britain in the end.

Mr. EVANS: Is not buying very largely centralized anyway?

Dr. MAGILL: No, not now, not through government agencies.

Mr. SALES: Would the same attitude be taken toward a voluntary system?

Dr. MAGILL: I do not think so; I do not see why it should—a voluntary system another selling agency without war powers. The Wheat Board was a war board and used the methods of war. Our Defence of the Realm Act, our War Measures Act, as we called it, is the halfway house to martial law; but create such a body again in times of peace, confront your European buyer with a war institution. . . .

Mr. SALES: I think there was a compulsory provincial system in Australia during the early days of the war; it is now voluntary I understand. They have had it both ways. Suppose our western provinces adopted by concurrent legislation a compulsory system would that have the same tendency as if it were a national system?

Dr. MAGILL: If its effect were the creation of one great compulsory war board controlling Canadian wheat it would have precisely the same effect regardless of who created it. That is simply an opinion.

Mr. LUCAS: Were there any statements made that the Wheat Board would raise the price of wheat?

Dr. MAGILL: Mr. Woods of Alberta, in his very able speech stated that the Wheat Board would secure from twenty-five million dollars a year upwards, more money, for distribution to our farmers, and that that would come from a foreign buyer.

[Mr. Robert Magill]



Mr. MALCOLM: The speaker has mentioned Mr. Woods' name. I was very much surprised to read an article in the *Ottawa Journal* by Mr. Woods under date of April 19th—an article which I was very much surprised to read because I think it cast considerable reflection on the honourable members of this Committee. With your permission, Mr. Chairman, I should like to read the article.

(Discussion followed.)

Mr. FORRESTER: Dr. Magill, you stated that Mr. Woods made that statement about the twenty-five million dollars, but you know that that is pure, unadulterated hot air, don't you?

Dr. MAGILL: You mean Mr. Woods' statement?

Mr. FORRESTER: Yes.

Dr. MAGILL: Well, I think most leaders of great reforms give off a great deal of hot air, and that Mr. Woods is no exception in that respect.

The CHAIRMAN: I would suggest that we allow Dr. Magill to go on with his evidence now, and that questions be asked afterwards.

Mr. MILLAR: I would like to ask a question, just on the spur of the moment. I have not had time to look it up, but I feel quite confident that Mr. Woods did not make any statement that this twenty-five million dollars was to be drawn from the foreign buyer.

Dr. MAGILL: Most of the twenty-five. He said it would not come from the consumer over here, that it would come from a foreign buyer.

Mr. EVANS: Mr. Woods mentioned the fact that by cutting off the manipulation of the grain, which has been the cause of taking the money from the farmers. . . .

Dr. MAGILL: I did not bring Mr. Woods' evidence with me. However that is a matter in the hands of the Committee.

The CHAIRMAN: I think we had better allow this discussion to drop.

Mr. LOVIE: With regard to this discussion, I know Mr. Woods' view on that, and he says part of that would come from the foreign buyer, in getting perhaps a better price but part of that would come through the saving resulting from more economical handling of the grain, and a part of that would come from the fact that the grain would not be all put on the market at once and the price depressed artificially through so much of it being marketed at once that it might be spread out over a longer period; so I do not think that that charge that it is coming from the foreign buyer is quite correct, all of it. I think, however, that he did admit some of it did, but he said it was his opinion that that would not raise the price of flour to the consumer through these other savings.

Dr. MAGILL: I mentioned yesterday that the September price was the higher monthly price. About thirty-three million or thirty-five million bushels had been inspected, and a little more had been delivered at country elevators. Here is the statement of the visible supply of grain for the year, which is dated April 7th of this year: 20,623,000 bushels odd in country elevators; 2,500,000 bushels in the Government Interior Terminals; 33,500,000 bushels at the head of the lakes; a total of somewhere about 55,000,000 bushels in our elevators in April. The advanced price, you will remember, began in February. What I wish to say is that a considerable percentage of what was held and owned by the farmers themselves—how much I do not know—and my information is that farmers still own wheat in store in elevators, not yet sold; so that there was the high price for the wheat delivered and sold in September, 35,000,000 bushels, and there is the high price for this date for such percentage of the stored wheat as the farmer owns. How much was on the land not yet delivered at this date of course is only a matter of guess. I referred to one estimate yesterday which I wish to correct. Here is an estimate of Mr. Sanford Evans as up to the 10th of March. He takes the Federal Government estimate of a total crop, and the Grain Commissioner's figures as to the movements, with this

[Mr. Robert Magill.]



result: it is estimated that 38,000,000 bushels will be required for seed, 7,000,000 bushels of low-grade will go into feed on the farms, and this leaves a balance of 24,000,000 bushels still on western farms to come out. The forty I referred to was a figure by a different authority at an earlier date. It is somewhat dangerous to put in an estimate without the reference before you.

I wish now to come to what is the evidence that I was to submit to this Committee, and to introduce it I want to read this paragraph from the memorandum of the Council of Agriculture. The main argument put up, as it appears to me, before this Committee for the re-establishment of the Wheat Board is that the price of wheat usually is depressed the first three or four months of the year, the crop year, and then after the farmer has sold say 75 per cent of the total crop the price goes up to higher levels during the other nine months. Therefore it seems to follow that if the Wheat Board could keep back the wheat and market it in a more orderly way the price on the whole would be better. The argument is founded very likely on this quotation:

"Statistics show that under the present system 70 to 75 per cent. of the crop is thrown on the market during the period of three months. With proper financial and other support the movement of the crop would be more evenly spread over the whole crop year, thereby undoubtedly avoiding the gluts of grain and consequent depression of prices which usually occur during the first three months of the cotton movement."

Further, in another paragraph:

"Three-quarters of the farmers' wheat is marketed during the period of three months at the beginning of the season, when the price of wheat usually is depressed. During the remaining nine months the tendency has always been for the price of wheat to ascend to higher levels."

I do not think I am unfair when I say that that is the main argument for the re-establishment of the Wheat Board, and that is the argument I am going to deal with. It consists of two assertions: one is that prices are usually low the first three months, and that the tendency has always been for the price then to ascend to higher levels. That is the first part of the argument.

An Hon. MEMBER: That is the whole argument.

Dr. MAGILL: I want now to ask the cold question, is it true that the price of wheat usually is depressed in the first three months and that it always ascends to higher levels afterwards?

Mr. McMASTER: What are those three months?

Dr. MAGILL: The first three months of the crop year, September, October and November, and it would be better to continue until the close of navigation, say the 15th of December, which I think would be the natural dividing line. I suppose Mr. Johnson would agree with that.

Mr. JONES: Is that not a quotation from the Stewart and Riddell Report?

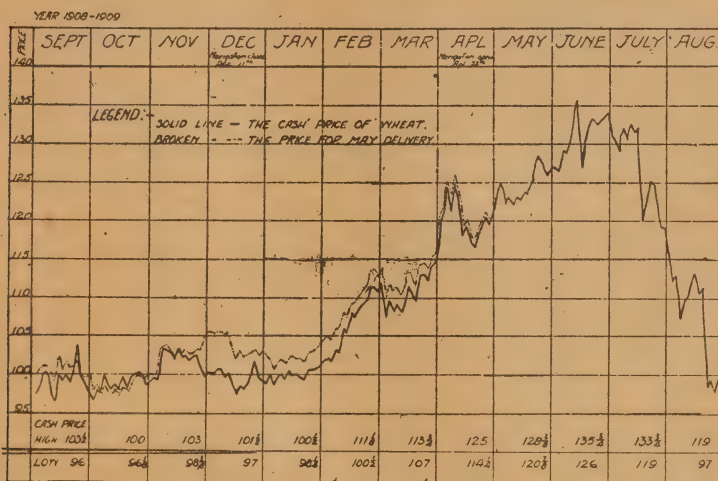
Dr. MAGILL: That is a quotation from the Stewart and Riddell Report. To prove that statement Messrs. Stewart and Riddell give the figures in the appendix, Appendix No. 2, Page 21. They begin with the year 1910-11, and they give the figures until the year 1916-17. Our Winnipeg Grain Exchange as we have it was organized on its present basis in 1908. These figures are taken from what we call the Official Record of the Grain Exchange. The official records of the closing prices are made every day after the market is closed. These closing prices are put up on a blackboard, and are copied into books, which books are accepted everywhere in the west as the official records of the closing prices. These figures are taken from that record. Our records go back only to the organization of the Grain Exchange as it is. You remember the old Grain Exchange was dissolved, and it was re-organized on its present basis, and our records only go back to 1908-09. I thought I would show the figures from

[Mr. Robert Magill.]

the year 1908-09, from the beginning. Here let me say that if there is any question in the minds of the Committee about these records of the exchange, we are prepared to wire Winnipeg and have them expressed down for the examination of the Committee. We are equally prepared to hand them over to any chartered accountant the Committee may name for examination. The records are there; we place them on the table, and are prepared to put them in the hands of any chartered accountant that this Committee may choose to name, so that the Committee may make its own examination. I do not think any of our western friends who want a Wheat Board would say that those records could be false. The closing prices are put up on the blackboard every day. If they were put up too high, or falsified, every buyer would raise Cain. If they were put up too low everyone in the market, of course, would raise the same trouble, on the other side. The closing prices are watched; they are published every day; they are wired out all over the country; they are accepted by the farmers' companies, they are accepted by the farmers themselves, and the records are accepted by the courts in the West.

Taking these records, I had the closing price taken out for every day in the year from 1908 until I left Winnipeg. I do not want to quote those figures, but I want to show you in pictorial form how the thing runs. I take first the year 1908-09.

Chart No. 1



This is one of the years against me, and I wonder why it was forgotten or omitted from this report. I am fairly honest, however; this year is against my argument, but I thought that the Committee ought to see it, although it is not named here. On this, this black line is the cash closing price Fort William, and the broken line is the future. It shows September, October, and so on. You see that the price was depressed, and then it came down again, began to fall, in July and August, and so on. This year of 1908-09 I surrender to you off the bat.

Here is a chart for the same year, showing the Chicago and Winnipeg prices.

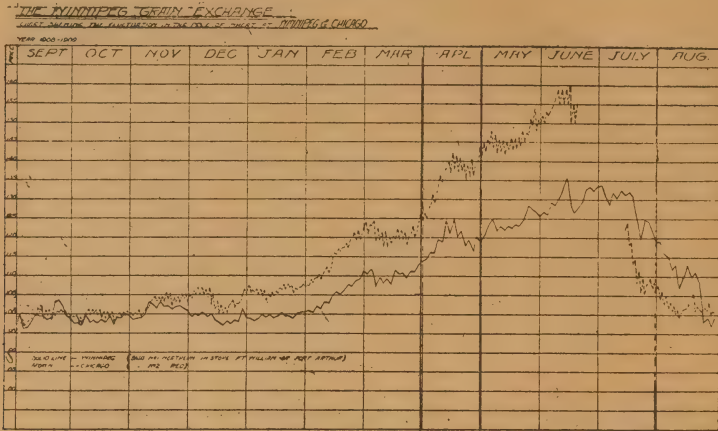
This red line shows Chicago, and the other Winnipeg. This line is identical with the one on this other map. The Federal Government of the United States estimated that the new crop, the coming crop, was 200,000,000 bushels below their average. The price at once began to go up. Patton, had come to the conclusion that there was going to be a crop shortage, and he had started in buying. Most of the western men will recall the year of the Patton corner; I think, in fact, every western man will recall the year of the Patton corner. He started in buying, and

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SELECT STANDING COMMITTEE

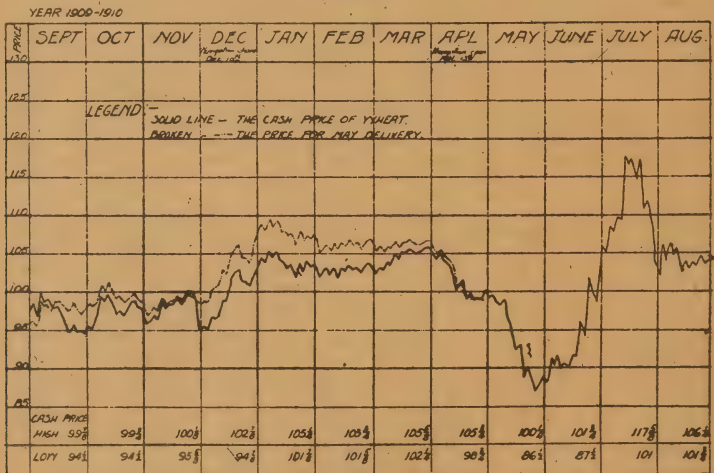
the price went up—some people say because of his purchases, other people say because of the grain shortage in the new crop—and that was reflected in every grain market in the world, including Winnipeg. I have to say that if we could be certain at any time that there was going to be a great world shortage in the supply of wheat, it would pay every farmer in the West to hold back his wheat.

Chart No. 1A



I surrender that year with that candid admission. As soon as you can show that there is to be a shortage, a serious shortage, in the world's supply of bread, then you would justify the farmer in holding back his wheat from the market. Take next the following year, 1909-10.

Chart No. 2



I do not know how this chart strikes you. In order to get any advance that year it would have been necessary to hold until July, paying the carrying charges at say a cent and a quarter per bushel per month, and it would take very nice work indeed for a man, a farmer or board, to anticipate that if he held wheat until July he might get a better price, a little over the carrying charges.

I take now the first year that Messrs. Stewart and Riddell take in their table, and the Committee will be very glad to know that the figures are the same; there is no question about it.

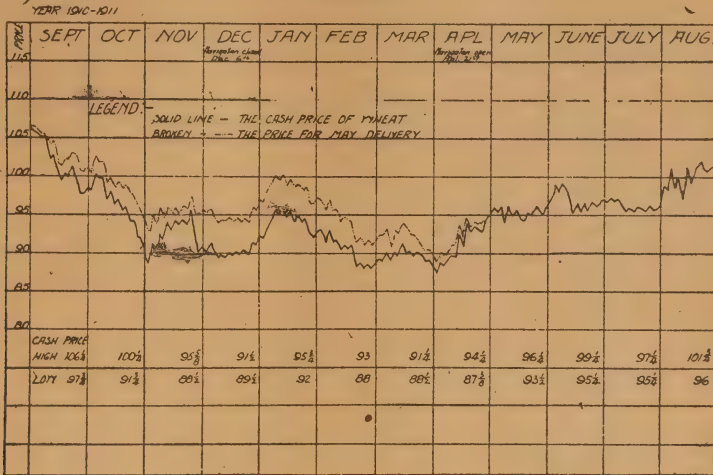
[Mr. Robert Magill.]



Mr. JOHNSON (Moosejaw): Mr. Chairman, might I ask Dr. Magill to revert to that last chart for just a moment? I refer to the 1909-10 chart. What I wished to draw to your attention was the fact that in December, January, February, March and part of April, wheat was almost ten cents above the first three months of the year.

Dr. MAGILL: This is for the year 1910-11.

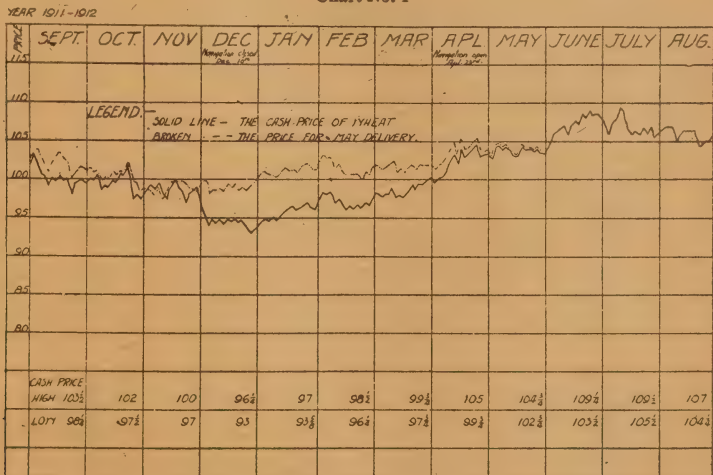
Chart No. 3



You see how that line works. The price of wheat was depressed in the fall that year, and it would rise to a higher level. Turn up the Stewart and Riddell Report for 1910-11; do not take my word. He gives the average price from September to December as 95½ cents a bushel, and from January to August 94 cents a bushel, providing nothing at all for carrying charges. I think I will also surrender 1910-11, as far as that is concerned. I am speaking now as a matter of fact; is it true, on the record, as a matter of cold fact, that the price is always depressed, or usually depressed, for three or four months or three and a half months, and then always moves up to higher levels?

Here is the chart for the year 1911-12.

Chart No. 4



[Mr. Robert Magill.]

What do Messrs. Stewart and Riddell say?

Mr. McMASTER: Mr. Chairman, this evidence is all going down in shorthand, and I would suggest that the Doctor state generally what the line indicates.

Dr. MAGILL: The black line, daily cash closing price of wheat, Fort William, number one northern wheat, every day in the year.

Mr. McMASTER: And showing a difference of price of so much.

Dr. MAGILL: Exactly. You work it out, you see from these figures. These lines indicate the difference and the broken line is the future price.

Mr. McMASTER: Excuse me just one minute. Mr. Chairman, I do not think the Doctor quite sees my point. I want him just to mention briefly the figures, so that it will be taken down by the shorthand writer.

Dr. MAGILL: Just give me a few minutes, Mr. McMaster.

Hon. Mr. STEVENS: Mr. Chairman, would it not be a good idea to have these charts incorporated in the record? It seems to me that they are most excellent and valuable. I have it here in a report, so that there are cuts in existence that could be secured.

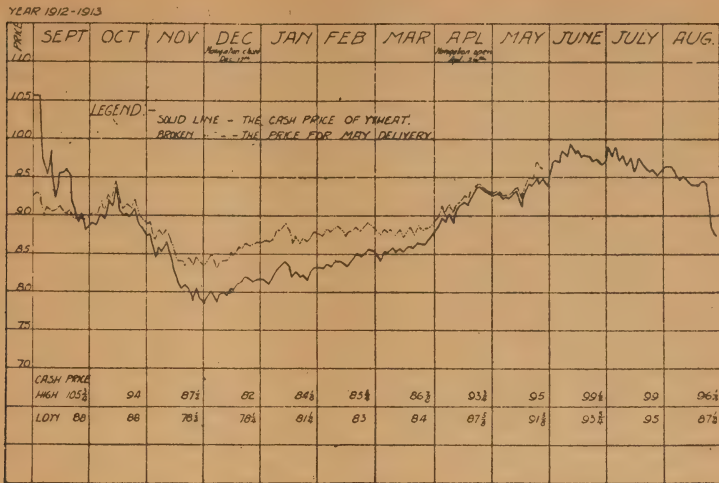
Dr. MAGILL: A few of them are made by me for the Mr. Justice Hyndman inquiry, and I presented the evidence on behalf of the Grain Exchange to Mr. Justice Hyndman's Commission, and a few of them are printed here. We have got a sufficient number, if any member wishes them. They are not complete; they are not all there. I am authorized to state that if the Committee want to do anything with them, we are entirely in your hands.

Hon. Mr. STEVENS: But Dr. Magill's evidence is not going down, because the evidence is on the charts. If we put those charts in the record we would have his evidence complete.

Dr. MAGILL: In this chart for 1911-12, the average from September to December given by Messrs. Stewart and Riddell is 98½ cents a bushel, and from January to August \$1.02½ cents, a difference of somewhere about 4 cents a bushel. What about the carrying charges at a cent and a quarter per bushel per month? Any man who held wheat to get this increase during the remaining nine months of the year, if he held it in store, paid not less than a cent and a quarter per bushel per month. How long would four cents carry the wheat in the elevators? If he carried it in his own bin on his own farm he might do it for less, or on that peculiar theory of farm book-keeping it might be said that he did it for nothing. However, I think Mr. Stewart and Mr. Riddell would be the first to tell you that if you make allowance for the carrying charges there is no higher level for the wheat that year in those two averages.

I take now the chart for the year 1912-13.

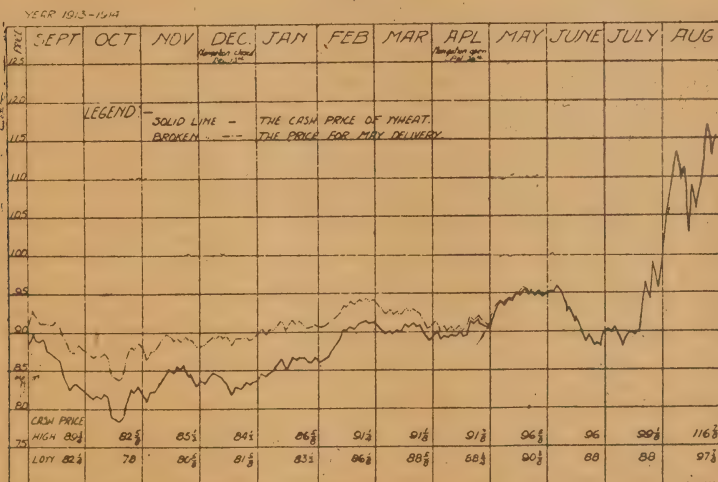
Chart No. 5



Mr. Stewart and Mr. Riddell give the average from September to the end of December at 86½ cents, and January to August 90½ cents. Would that pay your carrying charges, at a cent and a quarter or a cent and a half per bushel per month? Why, every man knows that it would not. It did drop, you see, in November, and it went up again here. If you take the lowest and the highest, yes, on any one day; but two of the biggest authorities on this continent take the averages as the only fair way of doing, giving their figures.

I take now the chart for the year 1913-14.

Chart No. 6



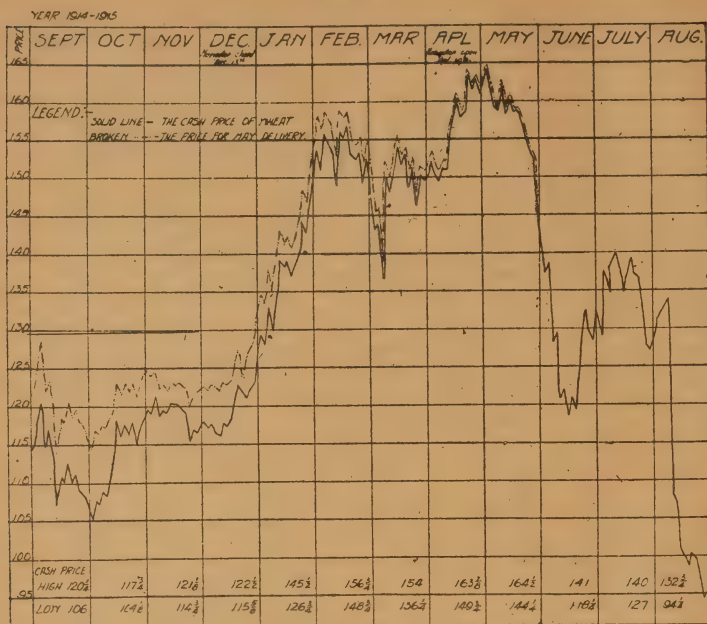
Taking August, 1914, you see the course of the price. Messrs. Stewart and Riddell give 83½ cents as compared with 92½ cents, for 1913-14, a difference of nearly nine cents in that year. The most of that increase is in August, 1914.

[Mr. Robert Magill.]



I take now the chart for the year 1914-15.

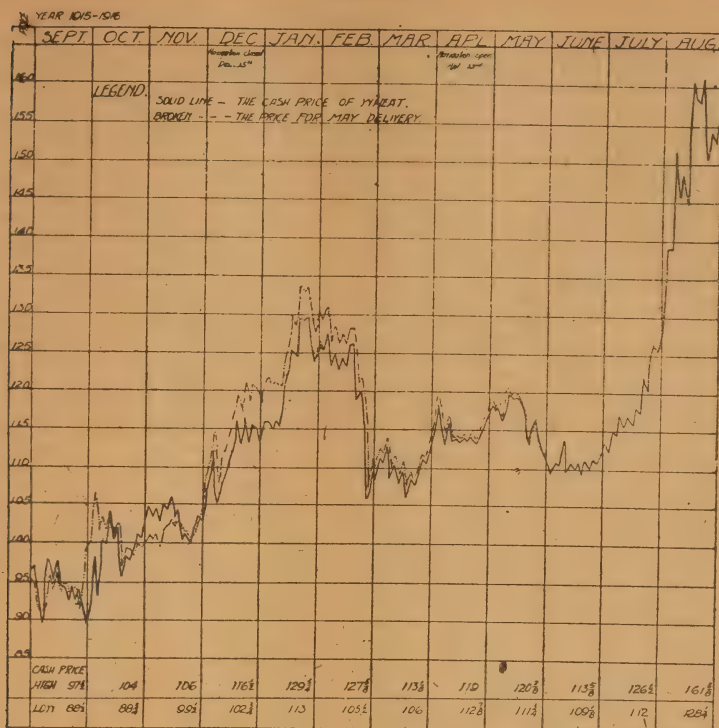
Chart No. 7



I am going to make another very candid admission. My personal opinion is—I speak for nobody else—if the Canadian Government have reason to believe that a great world war is going to break out again similar to the last one, the sooner it takes hold of the grain the better for every one concerned. We will surrender these war years. You remember the Baltic was closed, and by and by the Dardanelles were closed, and by and by the submarine got busy and sank so many ships that Great Britain could not import wheat from Australia and Argentine; and, for some peculiar reason, the allied fleets seemed to fail in the Mediterranean as against the submarine, and as a result this North American continent got almost a monopoly in the allied markets. We will surrender the war years, under such conditions. As I say, if a great world war like that is to break out again, the sooner the Canadian Government gets busy on wheat and some other matters, the better for every one concerned. See how it went. We had one buyer. You see where it ended in August. We could not charter ships; the British Government had taken all the ships under its own control. We could not handle the International exchange. Our exporters used to buy at seventy days ahead. The whole machinery of commerce, not merely of grain trading, but of commerce generally, was up against conditions that had never before been seen.

The next chart is for the year 1915-16.

Chart No. 8



There it is again; the solid line shows the cash price. See where it went in August of that year. For the year 1915-16 Messrs. Stewart and Riddell give \$1.01 as against \$1.19½.

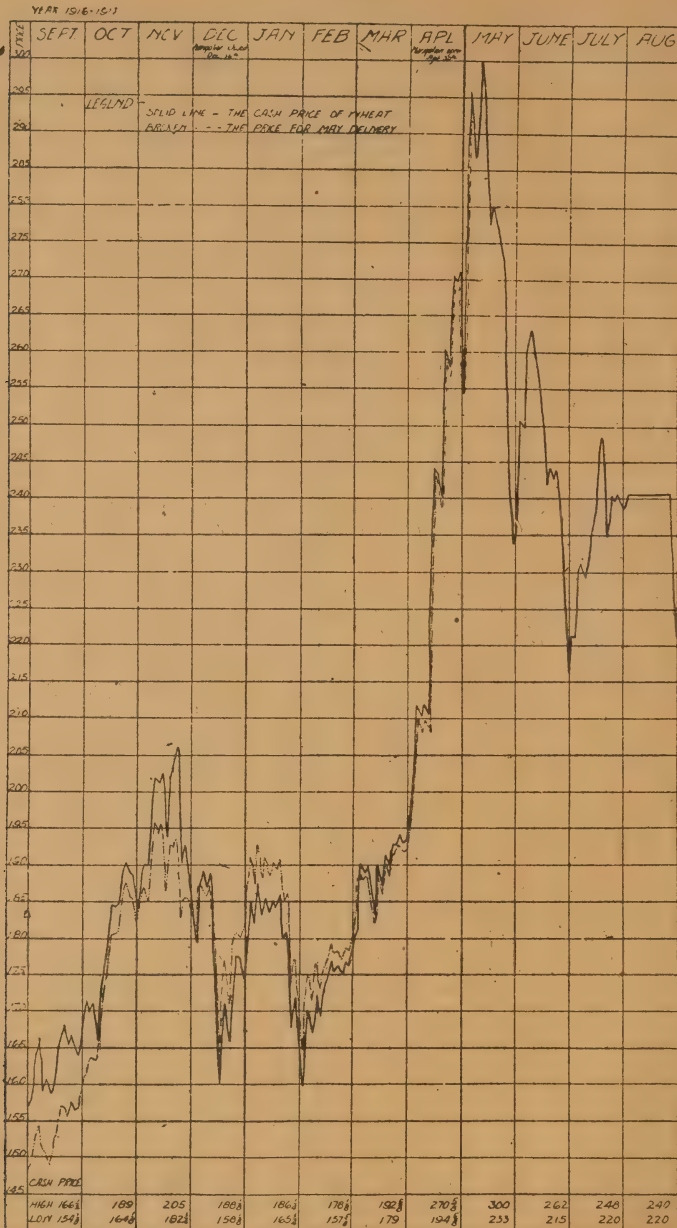
We come now to the fateful year when the war broke out, with regard to the whole Grain Exchange system of handling grain—a year referred to by Mr. Hamilton the other day.

The price runs up and down during the winter months until it reaches \$3.00 a bushel in the month of May. It jumped, you see, from \$1.90, within two or three weeks, to \$3.00. Mr. Hamilton thought that that shows that the grain trade took advantage of war conditions, and some have imagined that the grain trade have bought the wheat at these low levels and sold it at this high level. He also thought that on that account the Government closed the Grain Exchange and took control. What actually happened was this: We had one buyer; all the winter months he bought wheat for May delivery, to be delivered to the Allies in May, and our country elevator people, particularly, sold the wheat to him at these prices; they sold it to him on the basis of the May price. Mr. Sales will tell you all about it much better than I can. When May came and the wheat came down to the head of the lakes, what happened? All these contracts with the Allied Governments were for the contract grades, and when the wheat came down, although they had a sufficient number of bushels, a good deal of the wheat had too much water and went "no-grade," tough, damp, or wet, and could not be applied on the contracts, with the result that the companies who had sold the Allies May wheat on the basis of this broken line jumped into the pit to see if they could buy the May wheat of contract grades which the Allied Governments at first insisted upon.

[Mr. Robert Magill.]

It was the bidding of these men who had already sold the wheat for contract grade wheat that put the market up, and they were the men who lost the difference. We closed the market; if we had kept it open in that wild scramble for contract wheat I

Chart No. 9



do not know where it would not have gone. There was an estimate made—I do not know how authentic, that somewhere around ninety million dollars of a loss was involved in that situation to those who had done the selling. We closed the market ourselves. The Government did not know anything about it; they were too busy with

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is the price paid the Canadian farmer, \$2.63, and this line is the price paid by the Canadian miller Fort William. I only know of that because it is the Board's order; I do not know at what price they exported wheat.

The question is, was the consumer sacrificed? Well, there is no consumer in the world that I know of who was better treated—none, in my judgment, better treated, so far as most of our consumers are concerned. There was one class of them not protected, but that was not the fault of the Wheat Board. The fact is that the wheat that our Canadian mills bought at that price—which I do not need to repeat—is among the best wheat in the world, and the fact is that by fixing it at \$2.30 the buyer of flour was amply protected. The price of flour was also controlled. I might put it roughly that the Canadian consumer of flour in that year got flour milled from the best wheat in the world at about the lowest price, compared with other markets, as I will show later on. The class of consumer that was not protected was a class consisting of those households where the baking of bread was practically impossible. I am not going to dwell on this, but every man knows that in thousands, and tens of thousands, of Canadian households the woman simply cannot bake her own bread. Among the working classes, among the poorer classes in the cities, who do not call themselves working classes, they could have bought the flour but they could not make the bread. We know that there are thousands of them who cannot bake their own bread. The price of bread was not controlled but for the majority of Canadian consumers that is not the fault of the Wheat Board; they were not given authority. The majority of Canadian consumers who could buy their own flour and bake their own bread was amply protected. What are the heavy black lines? They represent the price of the same grade of wheat in Minneapolis.

Mr. JOHNSON (Moosejaw): Mr. Chairman, before Dr. Magill, goes into that I would like to ask a question. Can you, Dr. Magill, give us the figures of the volume of wheat purchased by the Canadian millers in the first four months, and the volume after that? The information I wanted to get is how does the average price of wheat to the millers compare with the average price received by the farmers? Was it more or less?

Dr. MAGILL: I could not tell, but I could refer you to a splendid authority, Mr. Stewart, and I would suggest that you take his word for it, and so will I. No. 1 northern dark wheat in Minneapolis corresponds with our No. 1 hard red fife. The Americans pursued a different policy that year from the policy pursued by us. They pursued frankly a producer's policy. Because there was centralized buying in Europe, all exporting of American wheat was put in the hands of the Grain Corporation, presided over by Mr. Julius Barnes. They confronted centralized buying by centralized selling. Then they opened the markets for their domestic wheat, and you know they eat more wheat than they export. They opened them wide and gave the producer a guaranteed minimum, guaranteed by the government at Washington at I think \$2.25 Chicago, but they set no maximum and they allowed their domestic markets to swing just as high as competition would drive them—and competition drove them pretty high. Most of the people in the United States were sick of their war bread and their war flour. The mills were sick of it. The people were demanding, many of them, the flour they had been accustomed to before the war bread was put out. The mills wanted to get back to their established brands, and there was a fierce and fell competition in every American grain market for the wheat of the higher milling value. I will refer to another cause of higher prices later on. In so far as the price of flour in the United States was based on these Minneapolis prices for wheat, you can see how the Canadian consumer was taken care of by the Wheat Board. It is absurd to speak of the Wheat Board as having sacrificed the consumer; it did nothing of the kind. The Wheat Board put up its price, when it saw these figures going on in other markets, to this figure; but even then the price of wheat and the price of flour in Minneapolis was much higher than up here—even then. Then there was this

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final increase by the Wheat Board and Minneapolis begins to drop from the last months, from May to the beginning of the new crop. It has been suggested that these high prices are only for a handful of very high grade wheat in Minneapolis, high grade dark northern wheat. Suppose we forget Minneapolis and dark northern wheat altogether, and take Chicago. I will just quote a price or two. The Chicago Board of Trade publishes the finest Annual Report in the world, the finest thing of its kind in the world, and they publish the daily prices of wheat day by day and month by month.

Take the month of August in Chicago: No. 2 Red and better ranged from \$2.23 to \$2.27½; No. 2 Hard and better ran from \$2.21 to \$2.40; No. 2 Northern ran from \$2.20 to \$2.58. The prices are given here (page 70 of the 62nd Annual Report of the Trade and Commerce of Chicago for the year ended December 31, 1919) for every day. Take the month of September. The price to our mills was \$2.30. What did the miller pay in Chicago? For No. 2 Red and better: \$2.23 to \$2.27½; No. 2 Hard and better \$2.21 to \$2.35, and for No. 2 Northern (not dark Northern) and better from \$2.23 to \$2.85. Then take the month of October: No. 2 Red and better from \$2.24 to \$2.27½, and for No. 2 Northern and better the lowest price was \$2.42 and the highest was \$2.88. Look at the protection our consumers get in this country. Then take the month of November. The price of No. 2 Northern (not dark Northern) and better ranged from \$2.30 to \$3.22 in Chicago. The Chicago millers were buying their wheat up to \$3.22, whereas our millers were getting it at the prices shown there. You might take any market in the United States provided you take wheat of good milling value, and you will see that in every one of those markets the prices skyrocketed. That is one of the causes for the higher prices of flour down there, and it became such an urgent question that Mr. Julius Barnes and his corporation got the mills to agree to manufacture a standard flour again with the object of affording some protection to American consumers.

There was another cause at work which I will not describe in my own language but by reading twenty lines or so from the speech of the Minister of Food (Mr. McCurdy) in the British House of Commons (Parliamentary Debates, Fifth Series—Volume 128, pp. 2286) on the 6th May, 1920:—

“Let me turn to wheat, which, after all, is perhaps the most important commodity to consider in the world if you are trying to estimate the future course of prices, because wheat prices are the most important factor in determining wages all over the world. Wheat prices determine the prices of feeding-stuffs. They determine the prices of other cereals and of alternative foods in a large measure. They determine the price of milk produce. It is unhappily clear that we are faced in the coming twelve months with reduced world crops of wheat. In the present cereal year the imports of grain into Europe amounted to 18,000,000 tons, of which 9,000,000 tons came from the United States of America. Prior to the War the average export of grain from the United States was 2,000,000 or 3,000,000 tons. It was due to the exceptional efforts in stimulating production of food-stuffs carried out by Mr. Hoover and the American Food Ministry during the War that they were able so largely to increase their exports. Unfortunately, the enthusiasm of war has worn thin in this respect, and for the coming cereal year the United States of America will have 4,000,000 tons less to export than they are exporting to Europe in the current cereal year. There is a reduced production in the Argentine, and there is a large fall in the supplies of Australian wheat; in fact, the only wheat-producing country in the world in which there is any increase is India, where there is an increase of something like 1,500,000 tons, which will not, I am informed, be wholly, if to any large extent, available for export. We are, therefore, faced with the prospect of a considerable reduction in the amount of wheat available for the needs of the importing countries the world over, and I am afraid, in

[Mr. Robert Magill.]



the absence of wise and prudent statesmanship on the part of all the importing countries, that a consequent rise in price will be reflected in the price of every other commodity."

Then Sir W. Mitchell-Thomson, who was the Parliamentary Secretary of the Ministry of Food, made a reference to this very subject at page 2383:

"I come to the question of the wheat position raised by my hon. and learned friend (Mr. Cautley), by my hon. friend the member for Ludlow (Sir B. Stanier) and other speakers. I do not want to say anything of an alarmist character with regard to the wheat position. At the same time, it is notorious that the world's wheat harvest does not look as promising as was anticipated three months ago. The hon. Baronet the member for Ludlow (Sir B. Stainer) has invited me to say something of the stocks. I want respectfully to ask him and to ask the Committee not to press me to say anything of the kind. I do not want to say anything which would be known in the markets where the Wheat Commission is going to buy, in reference to the position of the Wheat Commission at this moment with regard to stocks. All I will say is that I am assured, so far as this country is concerned, that the position is regarded as secure at all events up to next Christmas. That is the material point on which I think my hon. friend wanted to be reassured. The position as regards the period beyond that will depend very much on how the next harvest turns out."

What had they done? They had bought enough wheat by the 6th May, 1920, to feed their people until the following Christmas. You talk of high prices and of buying and selling? That is what the British Wheat Commission did then, and I challenge anyone to question the record of Hansard.

You remember when the market was open and when the British Commission was buying wheat enough to enable them to defy all exporting countries until Christmas, nobody in this country could offer them October wheat. The Wheat Board could not because it was tied by its law to the one year's crop, and our people could not because they were closed by law. The British Wheat Commission bought its supplies without us being able to give them a bit of October wheat. We opened the market and something struck us. There were people on this side who knew that the world's crops were not promising, but nobody knew how the British Government had bought to meet that situation, so far as I know. Whether our department or our Wheat Board knew it, we cannot tell. I do not think our authorities knew until it had been done. They had made themselves independent of our crop until Christmas, and something struck us. The people who bought our wheat were the United States, France and Italy, but our greatest purchaser, the United Kingdom, was not in our market, and did not come into our market for any appreciable volume of grain until after Christmas, just as they had stated. Cable after cable came across night after night to the effect that they were not interested in our offers. Our wheat began to go down immediately our mills were supplied, and you know the whole story. Some of our men have said the Wheat Board was exceedingly fortunate in getting out before they met that situation. That is the only expression of regret that I have ever heard in the Winnipeg Grain Exchange, despite the tendency of the evidence of an earlier witness to the contrary.

Mr. SALES: If the Wheat Board had had the authority to handle the new crop they would have sold the wheat to the British.

Dr. MAGILL: I think so.

Mr. SALES: And had the late Government given the Wheat Board that assurance they would have stopped all that.

[Mr. Robert Magill.]

Dr. MAGILL: No doubt. What also would have stopped it would have been selling on the United States plan. However, that is all ancient history. I agree that if the Wheat Board had had authority to handle the coming crop they would have sold part of our new crop for October delivery just as we do. I cannot imagine a Board with such men as they had on it not doing that, or attempting to do anything else.

Mr. WARNER: You were speaking of the two systems, the United States and the Canadian. I would like to know how the prices in the United States and Canada to the farmer compared during that time of control for the same quality of grain.

Dr. MAGILL: Their prices were higher, undoubtedly; but they produced a vast quantity of grain that did not grade like ours, and that made a difference on the average.

Mr. SALES: What was the date of that discussion in the House of Commons?

Dr. MAGILL: May 6, 1920, I think.

Mr. SALES: Let me refer to a later date in that same year when you attended a meeting of the Western members at Ottawa.

Dr. MAGILL: Yes.

Mr. SALES: Were you aware of that position at that time?

Dr. MCGILL: No.

Mr. SALES: When Mr. Motherwell asked a question to-day, you essayed the role of the prophet just a little.

Dr. MAGILL: I do not think so. I based it on our war experiences.

Mr. SALES: At any rate, I think you essayed that role when you visited Ottawa in that year, when you stated that in your opinion wheat with an open market would go from \$3 to \$5 a bushel.

Dr. MAGILL: I met about 30 or 40 Western members. No pressmen were present. A remark was passed on about that meeting. I spoke for forty minutes and was cross-examined for nearly an hour. I said the world's wheat crops were short. That information we had. We had no information about the British buying, and I stated that if the United States and Great Britain were going to compete in our market for our Hard Red Fife it would not surprise me to see our wheat anywhere from \$3 to \$5 a bushel. I have only advised the farmers of Saskatchewan once in my life, when I joined, as Chairman of a Royal Wheat Commission, in a recommendation that they should create the Saskatchewan Co-operative. At other times I may have advised them, but the results have been so fearful that I shall never try to advise them again. The first president of that association was Mr. Maharg, the second, the Hon. George Langley, and the first general manager was Mr. Dunning, now Prime Minister of that Province. Mr. Riddell, then the accountant, is now general manager, and Mr. Sales is one of their very able directors, while Mr. Stewart is their exporter. Every man connected with that organization which I helped to father is to-day on a way either to power or wealth, and I am left by my own child to the tender mercies of the Grain Exchange! Mr. Sales is speaking on a five-lined report, which is all he saw in the press, and I do not think we have time to bother about incomplete press reports. I did not believe any man from Western Canada would regard that five-lined statement as other than pure piffle.

Mr. JOHNSON (Moosejaw): I read that statement at the time, but I will not comment upon it. Dr. Magill may remember sitting with me for about half an hour in the rotunda of the Royal Alexandra that fall and making the statement that in his opinion he did not see what was to prevent wheat going higher?

Dr. MAGILL: Neither I did. When did any one hear about the British buying? When did anybody learn how the British had bought the preceding summer?

[Mr. Robert Magill.]



Mr. JOHNSON: I can accept that, if Dr. Magill says it was subsequent information which made him change his mind.

Dr. MAGILL: I stated they competed for our high-grade wheat on our market. Well, they did not! John Bull knew another trick. Whether it was a wise one or not is a different story. I am quite willing to say that at times I have been as big a fool as any member of this Committee!

Mr. SALES: When it was known that there was to be no continuation of the operations of the old Wheat Board in this country, did they not begin to sell wheat very largely on the Chicago market? Did not they sell their own and probably their carry-over, knowing they could replace their wheat with a wheat grown in Canada?

Dr. MAGILL: There is a great deal of talk about the British unloading wheat and helping to force down prices by being out of the market. It was not traced. It is just the thing I would expect an Old Country commercial government body to do.

Mr. SALES: You said the British Government prepared themselves by providing food sufficient to last them until Christmas?

Dr. MAGILL: Yes.

Mr. SALES: That meant they could keep out of our market at a time when our financial condition in the West forced us to dump our wheat on the market?

Dr. MAGILL: Yes.

Mr. SALES: Is there anything to prevent them from pursuing that practice in any year? If not, it can only mean disaster to the western wheat-grower.

Dr. MAGILL: Look at Mr. Stewart's figures and see whether they can do it in times of peace.

Mr. SALES: If they get supplies on hand and remain off our market in October and November at the time when our paper is due and our banks are saying "Sell your wheat; it is not safe to hold it," and when all our creditors are demanding that we settle our debts, there can be nothing but disaster awaiting the wheat grower in this country?

Dr. MAGILL: I quite agree that a government body over there could do it, but if the "trade" played that game, all the evidence shows they would lose three times out of four.

Referring to the 1921-22 chart, the curve shows where it began in September and where it reached in February.

Mr. SALES: On that point, would you mind telling me if there was anything in the world's supply of wheat to warrant the sag between those points indicated on that chart?

Dr. MCGILL: I do not believe there was, but here is the situation: Our Bureau of Statistics estimated our drop at 317,000,000 bushels before it was cut, and that information was published all over the world. If we have it, whether on the farm or in the elevators, the big Dutch firms and British firms and United States firms know we have it. Every provincial government publishes that information. The banks and everybody else do so. It was over-estimated. The same thing was done in the case of the Argentine and also Australia, their crops were over-estimated time after time. As it turned out, there was not as much wheat in the world as those estimates showed. Nothing is more necessary than that every wheat-exporting country should spend considerable sums of money in getting the facts as to the coming world's supplies of wheat. I agree with you that the world is not over-stocked with wheat, that if anything it is short of wheat, but that is not the news that was published by Bromhall's Corn Trade News.

Mr. SALES: Nobody knows more about the grain trade in this country than Dr. Magill. When our wheat production was 75,000,000 bushels a year some years ago, we followed those methods of marketing, trying to dump it all on the market in

[Mr. Robert Magill.]



six or eight weeks. Now our wheat production has reached 300,000,000 bushels, and we are still pursuing the same method of marketing. Do you think we can successfully continue to grow wheat unless we alter our methods of marketing?

Dr. MAGILL: If you can show me where this proposed authorization will help you, I will vote for it.

Mr. SALES: Take the information in that 1921-22 chart.

Dr. MAGILL: That is one year.

Mr. SALES: Take that one chart. We do not think that the Wheat Board can raise the price of wheat in the world, but when our creditors and our banks know we are going to get the same price in January, February or March, there is a sense of security in that western country, and nobody will urge us to market our wheat. As a consequence, the market is relieved and dumping does not occur. That is the whole argument, so far as the farmer is concerned, for the re-establishment of the Wheat Board.

Dr. MAGILL: When I got the results worked out in this way I wondered at the persistence of the statement that the wheat was always cheap for the first three months and dear for the other nine months. The United States Department of Agriculture published this list of prices in Minneapolis from 1895 to 1914 inclusive. They published it month by month for eighteen years. What is the difference between the average October price for nineteen years and the average April price for nineteen years? The average October price is 85.3 cents as against 88.3 cents in April for the nineteen-year period.

Hon. Mr. ROBB: What about the carrying charges?

Dr. MAGILL: Similar to our own. Any student can sit down and analyze them. He can also write for the information himself. There is an officer at Minneapolis with the title of Federal Reserve Agent, who issues bulletins on business methods from time to time, and these bulletins are distributed all over the country. Here is one that was forwarded to our exchange. It shows the prices in Chicago for ten years from 1903 to 1913 in one chart. This chart was made up by a writer in the Quarterly Journal of Economics at Harvard University in August, 1916, and the Federal Reserve Agent just publishes the chart and the comments: "Does it pay to hold wheat, or is it better to sell it promptly direct from the threshing machine?" He explains the chart and says: "In other words, if the producer held his wheat in order to speculate on its price, he could win in but 25 months out of 110, or he would have a chance to win of less than one in four times, and a chance to lose of more than three in four times," on the average of those ten years. Supposing a man held his wheat every year of the ten years right through, the result at the end of the year would be that he would lose 5.1 cents a bushel by selling in September, 7.2 cents by selling in October, 12.3 cents by selling in November, 13 cents by selling in December, 13.8 cents by selling in January, 12.3 cents by selling in February, 13.6 cents by selling in March, 14.1 cents by selling in April, 12.7 cents by selling in May, 10.7 cents by selling in June, and 9.1 cents by selling in July. In not one single month did he win out. The Federal Reserve Agent was very much astonished at the conclusions reached in this chart, and decided to make an investigation on his own account into Minneapolis prices. He publishes a similar chart for Minneapolis prices (both allow for the actual carrying charges) and says: "In other words, if the producer held his wheat to speculate on the price, he could win in but 41 months out of 110, or a chance to win of slightly more than one in three times." He goes on to say that he is making a similar study for the next ten-year period, including the war years. I would like to place this document on the files of the Committee. I employed a reputable firm of chartered accountants (Turner, Love & Grant of Winnipeg) who furnished a report on the prices—based on their examination of the records—from the inception of the exchange in its present form as a voluntary association in 1908, and they say:

[Mr. Robert Magill.]

"On reference to the schedule you will note that in 15 months only out of the 54 months covered would there have been any average profit for the farmer who held his wheat after November each year, and the average results over the six-year period may be summarized as follows:

Holding and selling in December.. . . .	4.2 cents
" " January.. . . .	3.3 "
" " February.. . . .	3.3 "
" " March.. . . .	3.2 "
" " April.. . . .	1.8 "
" " May.. . . .	1.7 "
" " June.. . . .	1.6 "
" " July.. . . .	0.5 "
" " August.. . . .	3.7 "

Mr. MILLAR: You understand this grain problem very thoroughly, Dr. Magill, but it is not easy for the rest of us to follow you just as fast as you proceed. They say the farmer lost 4.2 cents in one month and 3.5 cents in another month, and so on. Does that mean the farmer would lose if he held his wheat from September and sold it in November?

Dr. MAGILL: That is if he had refused the average in the first three months.

Mr. MILLAR: The first three months?

Dr. MAGILL: Yes.

Mr. MILLAR: And sold it when?

Dr. MAGILL: In the month named. I think the proper dividing line is the close of navigation. The Chartered Accountant of whom I spoke wanted instructions. I said "I will give you none." I think he took a pretty generous view of my opponents and charged nothing for interest or carrying charges until the close of navigation, thus estimating the average higher in the first three months. He began his carrying-charges only in December. In addition to these charts I have the Chartered Accountants' report, and if it is in order I will place it on the files of this Committee.

The CHAIRMAN: Gentlemen, is it the wish of the Committee that this report by the Chartered Accountant to whom Dr. Magill has referred be printed in our Minutes?

Agreed. (See Appendix Exhibit 1.)

Dr. MAGILL: There are one or two further remarks I would like to make, and then I shall be ready to answer any questions which I am able to answer. Our low months are supposed to be the months up to the close of navigation. Our grain belt is, as you know, just a continuation of the grain belt from the Gulf up. The political boundary line does not affect the wheat. What are the low months in the State of Kansas? The low months that the Kansas farmer complains of begin in August. I have heard and read speeches made by farmers down there to the effect that when they were delivering the wheat it was always low. Take our whole belt, the low period must be from August to the close of navigation. I received a book not very long ago from the Argentine. They had no elevator system and no grain exchange system, as we understand it. The farmer rents his farm and when he cuts his wheat he delivers it to a grocer or local storekeeper who gives him goods in return. They complain that when they are delivering their wheat it is always cheap, and their low periods are in January and February. The Australian farmer complained about the same thing, and his low period is in January, February and March. If you go to India, you will find exactly the same complaint. There is not a wheat-producing country in the world where the same story is not heard, and it covers the whole round of the calendar year. When is wheat high? On this argument Mr. Sales ought to go down to the Argentine and see if he could strike the high price level in January,

[Mr. Robert Magill.]



February and March. There is something wrong somewhere. We have been in the habit of saying that the British buyer is the ablest buyer in the world. If wheat is so much below the average that he can earn not only carrying charges but a profit, why is he buying steadily from January on? Does he withdraw from that market out there or sell in that market merely to hammer it down for some American or Canadian speculator to step in and buy and reap the profit for the other nine months in the year. Who would buy wheat in the nine months in the year if it went to seriously higher levels above the carrying charges. I work for a salary, but if it were usually true that wheat is cheap the first three months in the year and dear for the other nine months, I would not be working for a salary! How many of you have proceeded on that theory, and how many have come out right? My friend Mr. Robinson stated that he thought the grain traders were not speculators. He mentioned the sales-ladies and stenographers and clerks and lawyers and parsons and members of the House of Commons, and expressed his opinion that that \$25,000,000 and upwards had come in part from speculators. I do not know how much money the members of the House of Commons have, but I do know something of the other classes, and also that no Government has ever been able to screw \$25,000,000 out of them in one hundred years. Of course, Mr. Robinson did not mean it literally. We are informed by the general manager of our Clearing House that when the investigation was made into the Clearing House at the time they closed the market, the buying and selling on our market for futures on the part of the general public did not amount to 10 per cent of our trades.

Mr. McMASTER: Would that be true generally?

Dr. MAGILL: Some man said there was never a time that there was not twice as much wheat in sight as was required for futures. He said less than 10 per cent of the trade was done by outside parties.

Mr. SALES: People not interested in the trade.

Dr. MAGILL: Yes, such as parsons and members of the House of Commons.

Mr. SALES: Less than 10 per cent?

Dr. MAGILL: Yes. Now, Mr. Chairman and gentlemen, I have told my story and desire to thank you very much for your patience—especially my western friends in listening to my argument against what they may call their case. For myself—and I believe for the majority of the grain trade—I would repeat that we realize the west is in a serious financial position, and if we believed the creation of a War Wheat Board would produce \$25,000,000 or \$50,000,000 a year more for our farmers, I think the majority of the members of the Grain Exchange, bad as they are, would vote for it.

Mr. MORRISEY: The Doctor stated it was estimated that there would be 317,000,000 bushels in the crop. Mr. Watts, of the Millers' Association, the other day predicted a big crop for this year. Every season it is predicted that hundreds of millions of bushels of wheat will be reaped in Western Canada. What influence has that on the market? Is there any other class of producer that allows the other interested parties to boost the production of their products and say there is about 50% more than the normal production? Has not that a tendency to depress the price, the knowledge that the bulk of it is going to be thrown on the market immediately. Does the Doctor know of one year when the interests under-estimated the production of the Western Canada crop?

Dr. MAGILL: My answer to that is that I spoke of the estimates of the Dominion Government. That 317,000,000 was not our estimate. As a matter of fact, the lowest estimates made this year were made by the Northwest Grain Dealers' Association.

Mr. MILLAR: In addition to the estimates of the Dominion Government, the banks and railways and other interests are making big estimates, and that is one of the reasons why we want the re-establishment of the Wheat Board. The buying public

[Mr. Robert Magill.]



of Europe have been reading that there is such a crop. What is the result? Last year they remained off the market from the early months. Has there been any evidence to warrant the price jumping up again?

Dr. MAGILL: The lowest estimate made this year was the estimate made by the Northwest Grain Dealers' Association. I do not think any member of this Committee will expect me to answer for the sins of the banks and railway companies in addition to those committed by the Grain Exchange?

Mr. SALES: And the newspapers.

Dr. MAGILL: My own worries are sufficient for me.

Mr. GOOD: It was represented by a number of farmers from the West the other day that in anticipation of a very serious drop in price there was a mad scramble to thresh, and so on, which led to a very greatly increased cost in handling the crop in the fall. I want to ask Dr. Magill whether or not in his opinion that is due to a delusion on the part of the authorities?

Dr. MAGILL: I do not understand you.

Mr. GOOD: It was represented here the other day on behalf of a number of Western farmers that there was a mad scramble to thresh as quickly as possible after harvest in order to get what is thought to be a higher price immediately after threshing, and that in this scramble the costs of threshing and handling the grain in the fall are greatly increased. Is that impression based on a delusion?

Dr. MAGILL: So far as threshing goes, many of our farmers thresh from the stook. I think, as a spectator of the hustle to thresh, that it is due to the farmers' need for money and also our climate. It is not such a simple matter to thresh, so I am told, from the stook all the year around.

Mr. FORKE: I think I can explain that circumstance. Threshing from the stook in the first week in September is worth two weeks in the first part of October, so that instead of costing more in the early part of the season, threshing can be conducted for a great deal less per bushel. The stuff is dryer and the days are longer, and it is possible to make better speed. Early threshing is not more expensive than late threshing.

Mr. GOOD: It was represented by several gentlemen here that the object of the early threshing was to get what was supposed to be a better price, and that in attaining that object unnecessarily high costs were incurred. I am glad to obtain the opinion of another Western farmer that it is cheaper to thresh early than late. The point I raised was that it was represented that the anticipation of a serious drop in prices led to those increased costs of threshing.

Dr. MAGILL: Suppose you have carried wheat all the year to August, the carrying charges are one cent and a quarter or one cent a bushel per month. The last sales of the old crop ought to carry those carrying charges, but the new crop will not do that. It will find its level sooner or later.

Mr. FORKE: In regard to the increased price, I have no hesitation in saying that the few weeks in September that you begin to thresh yield the better prices. On an average year by year, you get better prices for the first cars of wheat. I live in the southern part of Manitoba where we have early threshing, and we always do better with our first cars of wheat. It is the new wheat. That condition departs in a week or two. It does not last.

Hon. Mr. ROBB: In the early part of your evidence, Doctor, reference was made to the economical handling of the wheat by the Wheat Board. Have you any evidence as to the cost of handling wheat crop in 1919 as compared with handling it in the open market now? I refer more particularly to the storage and interior elevators.

Dr. MAGILL: Comparing the Wheat Board with the present condition as to storage in the country elevators?

[Mr. Robert Magill.]

Hon. Mr. ROBB: Yes.

Dr. MAGILL: There has been an increase in the handling charges. I understand it was applied for by some farmers' companies, and granted by the Board of Grain Commissioners but not approved by Order in Council. Some of the companies, however, make those higher charges now.

Hon. Mr. ROSS: I am referring to the 1919 crop.

Dr. MAGILL: The Wheat Board had no elevators, and made arrangements with the elevators almost identical with the arrangements made by the Board of Supervisors. They allowed the country elevators a margin for buying street wheat. The margin the Wheat Board put into effect was the margin substantially that had been put in by the Board of Supervisors. They gave them a margin on all the street wheat. There was very little loading by platforms during those years, and under those conditions, the street wheat increased. The elevator companies got this margin for buying street wheat from the Wheat Board. When the wheat was delivered to the country elevator and the ticket issued therefor, the Wheat Board paid the charges to the elevator for that street wheat until it was unloaded at the terminal elevator. Now, on stored wheat—not street wheat—the Canada Grain Board fixed the charges. On all street wheat purchased in wagon-loads, the Wheat Board paid a carrying charge to meet storage, interest and insurance, from the day the ticket was issued to the farmer for his wagon-load until the day it was unloaded at the terminal elevator.

Hon. Mr. ROBB: How does it compare with the rates charged now?

Dr. MAGILL: It is very difficult to say. There is a rumour that there are elevators that do not take any storage at all. I do not know how true that is.

Mr. MILLAR: Is there any good reason why—when there is no car shortage whatever and the elevator companies are able to get their grain on the cars at once if they wish to do so—there should be from five to eight cents spread between the track and street prices? I saw a load sold a few months ago which, I suppose, went into the same elevator as carload wheat; I am certain it was the same grain. When there are plenty of cars, no necessary charges would apply to one that would not apply to the other. I cannot see why there should be a spread between the two.

Dr. MAGILL: I believe you were Chairman of the Royal Commission enquiring into grain conditions in 1906, and therefore there is not much that you do not know about the marketing of grain, but since you have put the question I suppose I cannot refuse to answer it. Street wheat is a troublesome problem. It is, in my judgment, a matter of transportation. There may be individual cases where some other element enters in, of course. If there are 100 farmers at a shipping point, each farmer is entitled by law to a car, and the elevator is also entitled to one car. Now, there are 50 men selling their wheat out of wagon-loads to the elevator. The one car that the elevator man gets is all he has, by law, to handle the street wheat purchased from the wagon-load. What price can he give? I am assuming the man is honest. What price can he give other than the estimated selling price when he gets it to Fort William? If he thinks he is not going to get a car for a month or six weeks he has to buy that street wheat on the basis of what he expects to get for it when he gets it to the terminal point. You men from the West know that is the foundation for that condition. I do not suppose you want to examine me on a matter of that kind. That is the fundamental thing. There may be other complications entering into it.

Mr. EVANS: You will admit that during the operations of the Wheat Board the spreads were closer than ever before or since.

Dr. MAGILL: The Wheat Board did one of the finest things in all its history when it accepted the spreads in operation under the old Board of Supervisors.

Mr. LOVIE: Do you think it was the law of supply and demand that made such tremendous jumps downward in the price of wheat in 1921? We know it was jumping from 10 cents to 20 cents in a day.

[Mr. Robert Magill.]

• Dr. MAGILL: Our market since it was opened, has been very largely a market for those who deliver and take the wheat. In pre-war days we had people who would buy and carry and speculate. As to manipulation in the Winnipeg Grain Exchange, all I have to say is that I think you might ask the representatives of the farmers' companies, who are there and who operate there and sell their futures there and buy their futures back there, whether they have found evidences of manipulation such as you refer to.

Mr. LOVIE: Farmers in the west are more concerned about the last two years than previous thereto, because before the operation of the Wheat Board there was not more than four cents to five cents a bushel spread in the fluctuations. But for the last two years prices have gone down so rapidly after the commencement of the wheat season that they are very much alarmed. The railway goes right through my farm, and I can always tell about the time the Saskatchewan wheat begins to come down, and just as soon as the big trains begin to come down the market begins to come down, and when that movement stops the downward trend in prices generally stops. I plough right up to the track, and I see all fall the operation of the market, but situated as I am, I put the wheat into the elevator right through the threshing period. If we can secure that early market we get the best price, but when the Western wheat begins to come down the price goes down rapidly. In order to restore the confidence of the farmer in the open market I think you will have to show more than the law of supply and demand as the reason for that condition. They have confidence in the Wheat Board, but not in the open market; they have had no confidence in the open market for the last two years.

The CHAIRMAN: Gentlemen, it is now nearly one o'clock. Is it the pleasure of this Committee to hear the evidence of Mr. Richardson, the representative of the exporters, to-morrow morning at eleven o'clock?

Agreed.

The Committee adjourned at one o'clock p.m. until eleven o'clock a.m. on Wednesday, April 26.



## APPENDIX

### EXHIBIT NO. 1

#### REPORT

Dr. R. MAGILL,

Secretary: Winnipeg Grain Exchange,  
City.

DEAR SIR,—In accordance with your instructions, I have made an examination of the prices prevailing on the Winnipeg Grain Exchange from the inception of the Exchange in its present form as a voluntary Association, namely the season 1908-09, up till the present time, in order to determine whether during these years it would have been more advantageous for the farmer to have disposed of his wheat crop during the Fall months, or to have held it for sale till some later date in the same crop marketing season. In making this examination of prices, I have relied on the official records of the Exchange and have utilized as a basis of comparison the daily closing prices of cash wheat one Northern grade, in store Fort William or Port Arthur, inasmuch as the spreads between one Northern and the lower grades are approximately uniform.

It goes without saying that in a business such as the grain trade innumerable variations occur in the prices at which wheat can be sold from month to month. If during the crop marketing seasons extending from September 1, 1908 to August 31, 1914, that is the normal pre-war years, we were to compare the lowest price at which wheat sold in the months September to November—the big crop moving months—with the highest price at which wheat sold in the months of December to August of the same respective season, we would find that it was always possible to have bought wheat at some time in the Fall and to have sold it again at a later date at a profit. Conversely it is equally true that if we compare the highest price at which wheat sold in the Fall months with the lowest price obtained in the subsequent months of the same marketing season it was always possible to have bought wheat at some time in the Fall and to have sold it out at a loss in the later months of the same season.

Accordingly it appears to me that the fairest way to answer your enquiry is to take the monthly averages of the daily closing cash prices and compare the average price for the three months September to November with the averages of the subsequent months in the same season for the six normal pre-war years. In making such a comparison it must always be borne in mind that the farmer who holds his wheat has to pay storage charges and lose interest on his money till such time as he sells. Necessarily the great majority of farmers utilize the Line Elevators for storage purposes in order that they may finance their current requirements by the hypothecation of storage receipts with the bank, if they think it advisable to hold their wheat for an anticipated rise in prices.

The Elevator storage charges, including insurance, are 1 cent per bushel per month. Interest at 6 per cent per annum on dollar wheat at Fort William would be  $\frac{1}{2}$  cent per bushel per month. The farmer as a rule pays 8 per cent on his mortgage, but also owing to freight rates, he would receive less than a dollar per bushel at his Elevator point during these six years. Accordingly  $\frac{1}{2}$  cent per bushel would appear to be a reasonable average monthly carrying charge for interest. Elevation charges would be the same irrespective of the length of time wheat had remained in storage and accordingly need not be considered in these price comparisons. It seems therefore that 1- $\frac{1}{2}$  cent per bushel per month would be a fair average monthly carrying charge

for storage, insurance and interest. Obviously too, in making comparisons between the average price for the three months\*September to November and subsequent months it is fair to consider carrying charges only from the end of November; also it would be fair to average the carrying charge for the first month, i.e.,  $\frac{3}{4}$  cent per bushel, and add 1- $\frac{1}{2}$  cent additional for carrying charges for each subsequent month.

Arguing from these premises as outlined above, I have prepared and attach herewith the following tabulated statements:—

Exhibit A. Statement of the high, low and average closing cash prices for each month of the six years 1908-09 to 1913-14, as well as the average closing prices September to November, December to August and September to August.

Schedule 1. Statement of the average net loss or gain by holding and selling wheat in December each year as compared with the average prices for September to November.

Schedules 2 to 9. Similar statements to Schedule No. 1 for the respective months January to August.

On reference to the Schedules you will note that in 15 months only out of the 54 months covered would there have been any average profit for the farmer who held his wheat after November each year, and the average results over the six year period may be summarized as follows:—

	Average Loss Cents per Bushel	Average Gain Cents per Bushel
Holding and selling in December . . . . .	4.2	.....
" " " " January . . . . .	3.3	.....
" " " " February . . . . .	3.3	.....
" " " " March . . . . .	3.2	.....
" " " " April . . . . .	1.8	.....
" " " " May . . . . .	1.7	.....
" " " " June . . . . .	1.6	.....
" " " " July . . . . .	0.5	.....
" " " " August . . . . .	3.7	.....

The average losses for the months of April to July are less than for the other months and this fact is accounted for by the abnormally high prices prevailing in these months in the year 1909. This was the year in which the "Patten Corner" took place in Chicago and in which also there was a large crop shortage in the United States.

In view of these statistics it would appear that from the point of view of average results, the farmer would have gained by selling his wheat in the fall months rather than by holding, in the particular six years under review. Naturally it would be quite impossible for anyone to predict similar results for the next decade or indeed to indicate in any way the course of prices for the future.

On page 15 of the report to the Government of Saskatchewan on "Wheat Marketing" by James Stewart and F. W. Riddell, the following statement appears as an argument in favour of pooling systems: "Three-quarters of the farmers' wheat is marketed during a period of three months at the beginning of the season, when the price of wheat usually is depressed. During the remaining nine months, the tendency has always been for the price of wheat to ascend to higher levels, with the result that the producer only gets the benefit of the prevailing higher prices for the remaining quarter of his season's crop."

In view of the statistics recited above it would seem that there is no foundation in fact for such an argument and indeed if it were true it would be a very simple matter for every speculator to become rich by simply buying wheat in the fall and selling in the spring.

For purposes of comparison, I have also prepared a tabulated statement, Exhibit B, showing the high, low and average closing cash prices for each month of the three war years, 1914-15 to 1916-17 during which there was an open market, and also for the year 1920-21 and the current year to date. Reference to this statement shows

that during the war years, undoubtedly much higher prices prevailed in the spring than in the fall months of the same season, but it would hardly be fair in view of the abnormal circumstances prevailing, to draw any general conclusions favourable to Messrs. Stewart and Riddell's argument from the course of prices in these or any other of the war years. Equally it would hardly be fair to use the results of the year 1920-21 as disproving the same argument, although it is apparent that the farmer who sold in the fall was infinitely better off than the one who held his wheat, inasmuch as this year witnessed an extraordinary and abnormal drop in prices.

In the present year the records show that while prices have fluctuated considerably, wheat reached its highest level during the month of September, by the end of which month some 36 million bushels of the new crop had been inspected and were in a position to be sold. It remains to be seen whether the producers who sold in the fall this season obtained better average results than those who are still holding their grain in anticipation of a rise.

Yours faithfully,

W. D. LOVE, C.A.,

of

TURNER, LOVE AND GRANT, C.A.

WINNIPEG, March 22, 1922.





SCHEDULE 1.

WINNIPEG GRAIN EXCHANGE.

AVERAGE GAIN OR LOSS.

Holding and Selling Wheat in Month of December.

Year.	Average Price Sept. to Nov.	Average Price December.	Carrying Charges.	Average result from holding wheat till December.	
				Loss.	Gain.
1908-09.....	0.99 $\frac{1}{2}$	0.98 $\frac{5}{8}$	0.00 $\frac{3}{4}$	0.01 $\frac{5}{8}$	0.00 $\frac{3}{4}$
1909-10.....	0.97	0.99 $\frac{1}{2}$	0.00 $\frac{3}{4}$	0.02 $\frac{1}{2}$	
1910-11.....	0.96	0.90 $\frac{3}{4}$	0.00 $\frac{3}{4}$	0.07 $\frac{1}{2}$	
1911-12.....	0.99 $\frac{1}{2}$	0.94 $\frac{1}{2}$	0.00 $\frac{3}{4}$	0.06	
1912-13.....	0.89 $\frac{1}{2}$	0.80	0.00 $\frac{3}{4}$	0.10 $\frac{1}{2}$	
1913-14.....	0.83 $\frac{1}{2}$	0.83 $\frac{1}{2}$	0.00 $\frac{3}{4}$	0.00 $\frac{3}{4}$	
Total Net Loss for 6 years.....				0.25 $\frac{1}{2}$	0.00 $\frac{3}{4}$
Average Loss per year.....				25 $\frac{1}{2}$ c. per bushel.	4.2c. "

SCHEDULE 2.

WINNIPEG GRAIN EXCHANGE.

AVERAGE GAIN OR LOSS.

Holding and Selling Wheat in Month of January.

Year.	Average Price Sept. to Nov.	Average Price January.	Carrying Charges.	Average result from holding wheat till January.	
				Loss.	Gain.
1908-09.....	0.99 $\frac{1}{2}$	0.99 $\frac{1}{2}$	0.02 $\frac{1}{2}$	0.02 $\frac{1}{2}$	0.03 $\frac{5}{8}$
1909-10.....	0.97	1.03 $\frac{1}{2}$	0.02 $\frac{1}{2}$	0.06 $\frac{1}{2}$	
1910-11.....	0.96	0.94 $\frac{1}{2}$	0.02 $\frac{1}{2}$	0.04 $\frac{1}{2}$	
1911-12.....	0.99 $\frac{1}{2}$	0.95 $\frac{3}{4}$	0.02 $\frac{1}{2}$	0.06 $\frac{1}{2}$	
1912-13.....	0.89 $\frac{1}{2}$	0.82 $\frac{1}{2}$	0.02 $\frac{1}{2}$	0.09 $\frac{1}{2}$	
1913-14.....	0.83 $\frac{1}{2}$	0.85 $\frac{1}{2}$	0.02 $\frac{1}{2}$	0.00 $\frac{1}{2}$	
Total Net Loss for 6 years.....				0.23 $\frac{1}{2}$	0.03 $\frac{5}{8}$
Average Loss per year.....				19 $\frac{1}{2}$ c. per bushel.	3.3c. "

SCHEDULE 3.

WINNIPEG GRAIN EXCHANGE.

AVERAGE GAIN OR LOSS.

Holding and Selling Wheat in Month of February.

Year.	Average Price Sept. to Nov.	Average Price February.	Carrying Charges.	Average result from holding wheat till February.	
				Loss.	Gain.
1908-09.....	0.99 $\frac{1}{2}$	1.05 $\frac{3}{8}$	0.03 $\frac{1}{2}$	0.06 $\frac{1}{2}$	0.02 $\frac{1}{2}$
1909-10.....	0.97	1.02 $\frac{1}{2}$	0.03 $\frac{1}{2}$	0.05 $\frac{1}{2}$	0.01 $\frac{1}{2}$
1910-11.....	0.96 $\frac{1}{2}$	0.90 $\frac{1}{2}$	0.03 $\frac{1}{2}$	0.09 $\frac{1}{2}$	
1911-12.....	0.99 $\frac{1}{2}$	0.97 $\frac{1}{2}$	0.03 $\frac{1}{2}$	0.06 $\frac{1}{2}$	
1912-13.....	0.89 $\frac{1}{2}$	0.84 $\frac{1}{2}$	0.03 $\frac{1}{2}$	0.09	
1913-14.....	0.83 $\frac{1}{2}$	0.89	0.03 $\frac{1}{2}$		0.01 $\frac{1}{2}$
Total Net Loss for 6 years.....				0.25	0.05 $\frac{1}{2}$
Average Loss per year.....				19 $\frac{1}{2}$ c. per bushel.	3.3c. "

## SELECT STANDING COMMITTEE

SCHEDULE 4.

## WINNIPEG GRAIN EXCHANGE.

AVERAGE GAIN OR LOSS.

Holding and Selling Wheat in Month of March.

Year.	Average Price Sept. to Nov.	Average Price March.	Carrying Charges.	Average result from holding wheat till March.	
				Loss.	Gain.
1908-09.....	0.99 $\frac{1}{2}$	1.10 $\frac{3}{4}$	0.05 $\frac{1}{2}$		0.05 $\frac{1}{2}$
1909-10.....	0.97 $\frac{3}{4}$	1.04 $\frac{1}{2}$	0.05 $\frac{1}{2}$		0.01 $\frac{1}{2}$
1910-11.....	0.96 $\frac{1}{2}$	0.89 $\frac{1}{2}$	0.05 $\frac{1}{2}$	0.12 $\frac{1}{2}$	
1911-12.....	0.99 $\frac{1}{2}$	0.98 $\frac{3}{4}$	0.05 $\frac{1}{2}$	0.06 $\frac{3}{4}$	
1912-13.....	0.89 $\frac{1}{2}$	0.85 $\frac{1}{2}$	0.05 $\frac{1}{2}$	0.09 $\frac{1}{2}$	
1913-14.....	0.83 $\frac{3}{4}$	0.90 $\frac{1}{2}$	0.05 $\frac{1}{2}$		0.01 $\frac{1}{2}$
				0.27 $\frac{1}{2}$	0.08 $\frac{1}{2}$
Total Net Loss for 6 years.....				19c. per bushel.	
Average Loss per year.....				3.2c. " "	

SCHEDULE 5.

## WINNIPEG GRAIN EXCHANGE.

AVERAGE GAIN OR LOSS.

Holding and Selling Wheat in Month of April.

Year.	Average Price Sept. to Nov.	Average Price April.	Carrying Charges	Average result from holding wheat till April.	
				Loss.	Gain.
1908-09.....	0.99 $\frac{1}{2}$	1.19 $\frac{5}{8}$	0.06 $\frac{3}{4}$		0.13 $\frac{3}{4}$
1909-10.....	0.97 $\frac{3}{4}$	1.02 $\frac{1}{2}$	0.06 $\frac{3}{4}$	0.02 $\frac{3}{4}$	
1910-11.....	0.96 $\frac{1}{2}$	0.90 $\frac{3}{4}$	0.06 $\frac{3}{4}$	0.12 $\frac{3}{4}$	
1911-12.....	0.99 $\frac{1}{2}$	1.02 $\frac{3}{4}$	0.06 $\frac{3}{4}$	0.03 $\frac{1}{2}$	
1912-13.....	0.89 $\frac{1}{2}$	0.90 $\frac{1}{2}$	0.06 $\frac{3}{4}$	0.05 $\frac{1}{2}$	
1913-14.....	0.83 $\frac{3}{4}$	0.90 $\frac{1}{2}$	0.06 $\frac{3}{4}$		
				0.24 $\frac{3}{4}$	0.13 $\frac{3}{4}$
Total Net Loss for 6 years.....				11c. per bushel.	
Average Loss per year.....				1.8c. " "	

SCHEDULE 6.

## WINNIPEG GRAIN EXCHANGE.

AVERAGE GAIN OR LOSS.

Holding and Selling Wheat in Month of May.

Year.	Average Price Sept. to Nov.	Average Price May.	Carrying Charges	Average result from holding wheat till May.	
				Loss.	Gain.
1908-09.....	0.99 $\frac{1}{2}$	1.24 $\frac{3}{4}$	0.08 $\frac{1}{2}$		0.16 $\frac{3}{4}$
1909-10.....	0.97 $\frac{3}{4}$	0.95 $\frac{1}{2}$	0.08 $\frac{1}{2}$	0.10 $\frac{3}{4}$	
1910-11.....	0.96 $\frac{1}{2}$	0.95 $\frac{3}{4}$	0.08 $\frac{1}{2}$	0.09 $\frac{3}{4}$	
1911-12.....	0.99 $\frac{1}{2}$	1.04	0.08 $\frac{1}{2}$	0.04	
1912-13.....	0.89 $\frac{1}{2}$	0.93 $\frac{1}{2}$	0.08 $\frac{1}{2}$	0.04 $\frac{1}{2}$	
1913-14.....	0.83 $\frac{3}{4}$	0.94	0.08 $\frac{1}{2}$		0.02 $\frac{3}{4}$
				0.29	0.19
Total Net Loss for 6 years.....				10c. per bushel.	
Average Loss per year.....				1.7c. per bushel.	



WINNIPEG GRAIN EXCHANGE.

SCHEDULE 7.

AVERAGE GAIN OR LOSS.

Holding and Selling Wheat in Month of June.

Year.	Average Price Sept. to Nov.	Average Price June	Carrying Charges	Average result from holding wheat till June	
				Loss.	Gain.
1908-09.....	0-99 $\frac{1}{2}$	1-30	0-09 $\frac{3}{4}$		0-20 $\frac{1}{2}$
1909-10.....	0-97 $\frac{1}{2}$	0-92 $\frac{1}{2}$	0-09 $\frac{3}{4}$	0-14 $\frac{1}{2}$	
1910-11.....	0-96 $\frac{1}{2}$	0-96 $\frac{1}{2}$	0-09 $\frac{3}{4}$	0-09 $\frac{3}{4}$	
1911-12.....	0-99 $\frac{1}{2}$	1-06 $\frac{1}{2}$	0-09 $\frac{3}{4}$	0-02 $\frac{1}{2}$	
1912-13.....	0-89 $\frac{1}{2}$	0-97 $\frac{1}{2}$	0-09 $\frac{3}{4}$	0-02	
1913-14.....	0-83 $\frac{1}{2}$	0-92 $\frac{1}{2}$	0-09 $\frac{3}{4}$	0-00 $\frac{1}{2}$	
				0-30	0-20 $\frac{1}{2}$
Total Net Loss for 6 years.....				9 $\frac{1}{2}$ c. per bushel.	
Average loss per year.....				1-6c. per bushel.	

WINNIPEG GRAIN EXCHANGE.

SCHEDULE 8.

AVERAGE GAIN OR LOSS.

Holding and Selling Wheat in Month of July.

Year.	Average Price Sept. to Nov.	Average Price July.	Carrying Charges	Average result from holding wheat till July.	
				Loss.	Gain.
1908-09.....	0-99 $\frac{1}{2}$	1-29	0-11 $\frac{1}{4}$		0-18 $\frac{1}{2}$
1909-10.....	0-97 $\frac{1}{2}$	1-11 $\frac{1}{2}$	0-11 $\frac{1}{4}$		0-02 $\frac{1}{2}$
1910-11.....	0-96 $\frac{1}{2}$	0-96 $\frac{1}{2}$	0-11 $\frac{1}{4}$	0-11 $\frac{1}{4}$	
1911-12.....	0-99 $\frac{1}{2}$	1-06 $\frac{1}{2}$	0-11 $\frac{1}{4}$	0-04 $\frac{1}{2}$	
1912-13.....	0-89 $\frac{1}{2}$	0-96 $\frac{1}{2}$	0-11 $\frac{1}{4}$	0-03 $\frac{1}{2}$	
1913-14.....	0-83 $\frac{1}{2}$	0-91 $\frac{1}{2}$	0-11 $\frac{1}{4}$	0-03 $\frac{1}{2}$	
				0-23 $\frac{1}{2}$	0-20 $\frac{1}{2}$
Total Net Loss for 6 years.....				2 $\frac{1}{2}$ c. per bushel.	
Average Loss for year.....				0-5c. per bushel.	

WINNIPEG GRAIN EXCHANGE.

SCHEDULE 9

AVERAGE GAIN OR LOSS.

Holding and Selling Wheat in Month of August.

Year.	Average Price Sept. to Nov.	Average Price August.	Carrying Charges	Average result from holding wheat till July.	
				Loss.	Gain.
1908-09.....	0-99 $\frac{1}{2}$	1-08 $\frac{5}{8}$	0-12 $\frac{3}{4}$	0-09 $\frac{3}{4}$	
1909-10.....	0-97 $\frac{1}{2}$	1-04 $\frac{1}{2}$	0-12 $\frac{3}{4}$	0-06 $\frac{1}{2}$	
1910-11.....	0-96 $\frac{1}{2}$	0-99 $\frac{1}{2}$	0-12 $\frac{3}{4}$	0-10 $\frac{1}{2}$	
1911-12.....	0-99 $\frac{1}{2}$	1-06 $\frac{1}{2}$	0-12 $\frac{3}{4}$	0-06 $\frac{1}{2}$	
1912-13.....	0-89 $\frac{1}{2}$	0-94	0-12 $\frac{3}{4}$	0-07 $\frac{1}{2}$	
1913-14.....	0-83 $\frac{1}{2}$	1-08	0-12 $\frac{3}{4}$		0-12 $\frac{1}{2}$
				0-34 $\frac{1}{2}$	0-12 $\frac{1}{2}$
Total Net Loss for 6 years.....				22 $\frac{1}{2}$ c. per bushel.	
Average Loss per year.....				3-7c. per bushel.	

## EXHIBIT B.

## WINNIPEG GRAIN EXCHANGE

## SUMMARY OF CLOSING CASH PRICES

From September 1914 to March 21, 1922

	1914-1915			1915-1916			1916-1917			1920-1921			1921-1922		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
September.....	120½	106	111½	97½	88½	93½	166½	154½	160½	285½	248½	273½	164½	135½	148½
October.....	117½	104½	112½	104	88½	97½	189	164½	174½	245	217½	232	129½	109½	116
November.....	121½	114½	118½	106	99½	103	205	182½	195½	231	178½	205	118½	102	111
Average September to November.....	114½	102½	111½	106½	94½	100½	176½	159½	173½	207½	184½	193½	110½	105½	125
December.....	122½	115½	119½	116½	102½	110½	188½	159½	175½	207½	184½	193½	110½	105½	113½
January.....	145½	126½	136½	129½	113	121½	184½	163½	179½	204½	179½	194½	119½	107½	114½
February.....	156½	143½	150½	127½	105½	124½	178½	157½	169½	197½	171½	188½	147½	118½	133½
March.....	154	136½	145½	119	106	109½	192½	179	187½	193½	182½	190½	147½	136	141½
April.....	163½	149½	156½	119	112½	115½	270½	194½	230	183½	160½	176½	147½	136	141½
May.....	162½	144½	153½	120½	111½	116½	300	233	272½	194½	178½	188½	147½	136	141½
June.....	141	118½	129½	113½	109½	111½	262	215	246½	191½	178½	188½	147½	136	141½
July.....	140	127	134½	126½	112	117½	248	205	236	187½	172½	183½	147½	136	141½
August.....	134	94½	113½	161½	123½	148½	240	220	239½	195½	157½	189½	147½	136	141½
Average December to August.....	138½	102½	120½	119½	102½	110½	215½	189½	205½	195½	157½	189½	147½	136	141½
Average September to August.....	132½	102½	117½	113½	94½	103½	205½	189½	205½	195½	157½	189½	147½	136	141½

NOTE:—

1917-1918 } Fixed Prices.  
1918-1919 }

1919-1920—Wheat Board—Average Price \$2.63 Basis in Store Fort William.

SELECT STANDING COMMITTEE

ON

# AGRICULTURE AND COLONIZATION

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Minutes of Proceedings and Evidence

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No. 8—WEDNESDAY, APRIL 26, 1922

---

Mr. James A. Richardson, President and General Manager, James  
Richardson & Sons, Ltd.



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SELECT STANDING COMMITTEE ON AGRICULTURE  
AND COLONIZATION

MINUTES OF PROCEEDINGS

WEDNESDAY, April 26, 1922.

The Committee met at eleven o'clock, a.m., Mr. McMaster, the Deputy Chairman, presiding. Present:—Messieurs Bowen, Brethen, Carruthers, Charters, Chew, Evans, Fafard, Forke, Forrester, Good, Halbert, Hunt, Jelliff, Johnson (*Moosejaw*), Kennedy (*Glengarry and Stormont*), Leader, Léger, Lovett, Lovie, Lucas, MacKelvie, McConica, McCrea, McMaster, McMurray, Maybee, Millar, Milne, Morin, Neill, Pritchard, Sales, Senn, Sexsmith, Sinclair (*Queens, P.E.I.*), Stansell, Stein, Stevens, Stewart (*Humboldt*), Tolmie, Warner, White and Wilson.

On motion by Mr. Stevens, seconded by Mr. Tolmie, it was ordered:—

“That steps be taken to secure the cuts which appeared in the Report on Winnipeg Grain Exchange to Royal Grain Inquiry Commission and incorporate them in the official report of the evidence given before this Committee.”

Mr. James A. Richardson, President and General Manager of James Richardson & Sons, Limited, Winnipeg, who was in attendance, was called, sworn, examined and discharged from further attendance.

Committee adjourned to meet at eleven o'clock, a.m., on Thursday, April 27th, 1922.

ARTHUR GLASIER,  
Clerk to Committee.





## MINUTES OF EVIDENCE

COMMITTEE ROOM 424,

HOUSE OF COMMONS,

WEDNESDAY, April 26, 1922.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock, a.m., the Deputy Chairman, Mr. McMaster, presiding.

The DEPUTY CHAIRMAN: The Committee will please come to order.

Hon. Mr. STEVENS: Mr. Chairman, the other day when we were receiving the very interesting address by Dr. Magill, which was illustrated by cuts, I mentioned that we should have these cuts incorporated in the official record. I understand from the Clerk of the Committee that considerable expense will thereby be involved. Dr. Magill and Mr. Sanford Evans have advised me that it would be possible to get the cuts already made, from which this pamphlet issued by the Secretary of the Winnipeg Grain Exchange was printed. Dr. Magill's address was very illuminating to hear, but I am afraid that the official record will not convey his meaning very accurately unless the cuts are inserted at the appropriate places. I therefore move that steps be taken to secure these cuts and have them incorporated in the official report of the evidence given before this Committee by Dr. Magill.

Dr. TOLMIE: I will second that motion. I, too, believe that the value of the official report will be greatly lessened unless these cuts are incorporated therein.

Motion agreed to.

The DEPUTY CHAIRMAN: Is there any person representing the millers here this morning? On Monday last I asked certain information to be given at our next meeting, and that information has not yet been furnished.

An Hon. MEMBER: I happened to meet some of the millers at the hotel, and they said they had an appointment before another sub-committee of the Government with regard to freight rates. I think that is the only reason they are not present here this morning.

The DEPUTY CHAIRMAN: Our first witness this morning is Mr. James A. Richardson.

James A. RICHARDSON, called, sworn and examined.

The DEPUTY CHAIRMAN: Mr. Richardson, where do you reside?

Mr. RICHARDSON: In the city of Winnipeg. I am president and general manager of James Richardson & Sons, Limited, Grain Merchants and Grain Exporters.

The DEPUTY CHAIRMAN: You have some information to place before this Committee. Please proceed to do so.

Mr. RICHARDSON: Mr. Chairman and gentlemen: I am not accustomed to public speaking, and therefore I believe I could present my case much better if I were allowed to conclude my evidence before being questioned.

The DEPUTY CHAIRMAN: I think that procedure will be satisfactory to the Committee. I would, however, ask you to read as little as possible. The spoken word is much more acceptable than the written sermon.

Mr. RICHARDSON: I appear before you as a grain merchant and grain exporter. I came here at the request of the shippers and exporters of the Winnipeg Grain

[Mr. James A. Richardson.]

Exchange. It seems to me that there is no business about which there is so much misconception on the part of the public as there is about the business of handling and merchandising grain. This is no doubt due to the fact that the factors that go to make wheat prices are obscure to the man on the street, who has not made a study of the business. Consequently, he criticises what is in fact one of the most highly organized and best run businesses in the world. For honesty, efficiency and toll collected for service rendered, the grain trade invite comparison with any other business conducted in the Dominion of Canada. Recently we have gone through a world-wide depression, and Canada has not escaped, nor has the Western Canadian Farmer escaped. He suddenly found himself with practically no market for hides, wool, beef, sheep, and a great deal of what he produces. There was no one whom he could blame for the terrific decline in these articles, but when wheat prices went down he was immediately disposed to lay the blame on the Grain Exchange, in spite of the fact that the Grain Exchange merely offer facilities for trading. It does not control or make prices; these are made by world conditions, and the farmer must realize that through the Grain Exchange organizations he was able to market his grain crop any business day in the week. There has never been a time in recent years when the farmer could not get paid cash for his grain crop at any town in western Canada, and on any day in the week. The price may not have always been satisfactory to him, but the market never failed, even at a time when it was hard to get 50 cents on the dollar for good general securities.

The grain business cannot run as a side line. I question if there is any business in the world which is so exacting on the men who engage in it. Success in the grain export business requires the constitution of an ox, an enormous capacity for hard work, and the peculiar qualifications which belong to a trader. The grain business is one of the oldest regular lines of business in the world, and one in which men engage as a life work, for experience and technical knowledge are necessary to its successful conduct. I have spent all my business life so far—sixteen years—in the grain trade, and my family have followed the grain business for three generations. The business of which I am now the head was established by my grandfather in 1857, and in the winter of '84 we shipped to Liverpool the first western Canadian wheat exported from this continent. This particular shipment proved to be a very costly one for us, I mention it to show that private enterprise was seeking a market for the farmers' product as soon as the farmer had any surplus to sell; and we, along with others, engaged in exporting grain, vigilantly send our cables out daily to every corner of the globe where there is a prospect of finding a market for Canadian wheat. The wheat exporter believes that he performs important service, and performs it well. Our own firm do a very large export business in wheat. The business has been built up in the face of the keenest competition and is the result of work of many years, and to-day we rank for first place with two or three largest grain exporting houses on this continent. We have no desire to retire from the field, but we do not want to see the Wheat Board question settled merely on constitutional grounds. Personally, I feel that if the business in which I am engaged cannot be justified on economic grounds then I am content to leave the grain export business and devote my energies to some other line of work. I want to point out, though, that the grain trade as well as the farmer, want to see a big crop produced, and want to see it merchandized under conditions that will encourage increased production. The exporter of necessity works on a very small margin due to the ease with which anyone can get into business. No plant or equipment are necessary. We must hold our business by our teeth. We have no trade mark or protection of any kind, and profits depend entirely on a large turnover. It will be hard to understand how we could well have more competition than we have always had, and I might just instance the fact that Sandays of Liverpool, Dreyfus of Paris, Mueller of Rotterdam, and many other foreign grain houses, have branches on this continent, and we must sell in their home markets in competition with them. Do

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you suppose these houses let us get away with a big profit or that we let them get away with one?

The fact that the export wheat trade work on a small margin has never been questioned by any responsible writers or speakers, and in support of this, I might quote from the report to the Saskatchewan Government of the Royal Commission appointed "to examine into ways and means for bettering the position of Saskatchewan grain on the European markets." This report was made in 1914; the members of this Commission were J. H. Haslam, C. A. Dunning, now Premier of Saskatchewan, Edmond H. Oliver, Professor of History and Economics, University of Saskatchewan, and Geo. Langley, then Minister of Municipal Affairs in Saskatchewan. I quote from the Report as follows:

"All of the charges are necessary, legitimate and inevitable. Without the various services concerned the exporting of western grain could not be carried on. Some of the charges are small and fixed and are easily allowed for. Others are very variable, and not only loss but actual ruin would face the exporter who carried on his business without making proper allowance for them. Ocean and Lake freights are the chief of these variable charges. The exporter must have the actual space he needs contracted for, or else know exactly where, when, and for what price he can obtain such space as he needs before he can safely close with any bid or make any offer. The difference between the lake and ocean freight rates prevailing in June, 1912, and in November, 1912, was fully five and two-fifths cents per bushel. Where would the exporter have been who in May sold wheat to Liverpool for November shipment, and made his calculations on the basis of May lake and ocean rates?

"It will be seen then that exporting grain is a business that calls for very careful calculation, strong financial backing and the laying of plans and making contracts months in advance of the movement of the actual grain. The business of exporting is of necessity too speculative to admit of any definite statement being made as to the amount realized by an exporter in return for his service. The known spread for day to day between Winnipeg cash or futures and the Liverpool futures upon which such cash wheat or future purchases could be applied is one evidence that exporters' margins are not wide. The highly competitive nature of the business (a) as between exporters, and (b) as between exporters and millers coupled with the comparative ease with which, under modern conditions of transportation, communication, etc., firms in the grain trade in other countries could engage in the business were it immoderately lucrative, renders it improbable that large margins of profit exist in the export business under the present circumstances of the trade.

"No doubt, some bold and fortunate speculative exporters, and some large operators having the best of financial and shipping connections and favourable contracts for lake and ocean space make very good profits, but the commission has no evidence to indicate that the usual margin on which the exporting of wheat is conducted exceeds from one-half to one cent per bushel."

These gentlemen make a very exhaustive report based on actual study in Canada, the United States, Great Britain and the continent of Europe, and to show how accurate their conclusions as quoted are, I may say that the grain sold by our house for export for the six months ended January 31st last, showed a net profit of only a slight fraction over  $\frac{1}{2}$  cent per bushel or per cent of our actual export turn-over. If I converted that into a percentage of our turnover, it would be a good deal more forcible. I came here without preparation because I did not expect to address the Committee, and merely dictated these notes direct to the typewriter without that information being available at the time. For this profit of  $\frac{1}{2}$  per cent, we buy our wheat, take our ocean freight, sell our foreign bills, protect our New York funds, guarantee to make shipment

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to foreign ports in accordance with our contracts, insure our grain, do considerable work incidental to guaranteeing our turns, adjust commissions with our foreign agents, pay rail freight, elevator charges, port charges, and do much other work incidental to the business. For weighing and inspecting grain at Fort William, in and out of the elevators, the Government make a charge of \$4.00 per thousand. They take no risk whatever, and yet this charge is about three-quarters of the return we secure for the services outlined above. This might indicate to you why the exporter would not fear a voluntary pool, or any other kind of competition, which would allow him to use his own ingenuity. Certainly the exporter does not get paid too much for the service he performs, and the exporter actually doing business to-day need not fear any open competition, because he has to justify his right to survive every day he lives.

I fully appreciate that this Committee is not finding any fault with the margin of profit the exporter gets, but what it wants to do is to get a bigger profit out of growing wheat for the farmer, and the question is, are the wheat growers getting as good a return by having their grain marketed through private competitive channels as they would if a Wheat Board, or some other organization, could supplant the present private exporter. He is practically the only man who would be put out of business by a Wheat Board, because eastern transfer elevators, Fort William elevators, the country elevators in Western Canada, and the trained organizations of the Winnipeg Grain Exchange would, in any case, have to be utilized. The exporter is aware that it has been charged that owing to what is called our haphazard selling, the foreign buyer secures our wheat in the fall of the year at far below its true value, and in this matter the exporter is satisfied that you should be guided by the facts. Dr. Magill has quoted you the ruling figures for several pre-war years, and these figures are worthy of study. I might repeat, though, that the low point is by no means to be sure in the fall of the year, that the low point may be any month in the year, and it will appear reasonable to you that if our wheat always reached the lowest point in the fall of the year, then why, for instance, does not the English buyer, who can finance very large quantities of grain, buy his year's requirements in the fall, and if necessary, store it in Canadian elevators, until he requires it, or better still, why does he not in the fall of the year, protect his next summer's requirements by buying our May wheat, which, in the fall of the year, can usually be purchased at very close to the October price. By doing this he would save much interest and storage.

Considerable wheat has been sold to the British buyer during the month of March. Recently he has bought grain at values very much higher than he could have bought it last fall. He could have bought wheat for May and June shipment last fall just as readily as he can now, and he could have bought it for a great deal less money.

But what are the facts of the case? The English and foreign buyer does not appear to think that we give our wheat away in the fall of the year because he only buys his current requirements. Now, how can we account for this? It must be that he expected to buy cheaper from the Argentine after Christmas, or he does not want to load up with our wheat in the fall of the year and run the risk of having his Canadian purchases show him a sharp loss should the Australian and Argentine crop be bountiful and come on the market early in the New Year at lower prices. It is a fact that large quantities of wheat are left unsold in Canadian elevators late in the fall. But this wheat is not sacrificed; it is usually purchased by exporters at very close to May prices, and moved out of Fort William and Port Arthur to Buffalo and Georgian Bay before freeze-up. These exporters, when they buy the cash wheat and ship it across the lakes sell May wheat against it, and they are in a position to export this grain during the winter months. The value of this wheat east of the lakes fluctuates in accordance with the fluctuations of the May future, and as this

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reflects world's values the exporter is able to meet world's competition. Whenever the exporter sells his cash grain he buys in his May future and closes the transaction.

What I would like to emphasize particularly is the fact that the price paid for any crop year is determined by the estimates of the total supply that will be available during the crop year, and not by any local or temporary situations. The Englishman imports almost exactly the same quantity of wheat each month in the year, and he buys this all over the world, wherever he can buy the cheapest, and when our first October wheat is traded in the price is based on the amount of wheat actually available in the world at the time and on the condition of the growing crops. If growing crops improve, wheat values tend to be lower. If growing crops are damaged a higher value will be reflected in our October wheat.

The DEPUTY CHAIRMAN: That means wheat which you expect to have delivered in the month of October?

Mr. RICHARDSON: Wheat for delivery in storage at Port Arthur or Fort William during the month of October.

The DEPUTY CHAIRMAN: What about May wheat?

Mr. RICHARDSON: That is wheat for delivery in storage at Port Arthur or Fort William during the month of May.

This price of wheat does reflect the wheat stocks and growing conditions the world over, and charts shown by Dr. Magill indicate this much better than it would be possible to explain it any other way. I remember hearing Mr. Sandford Evans lecture on some of the charts he prepared when he was on the Georgian Bay Commission.

It is interesting to note how some of the chief crops of the world mature. In Texas harvesting comes on in June and harvesting goes north at the rate of fifteen or twenty miles a day up to Canada and through Canada. As far as this continent is concerned, the first movement of new crop wheat is through the gulf of Mexico. Then in July and August, there is a movement of winter wheat through Chicago to Montreal. Ontario wheat comes on the market in August, American Pacific coast wheat in volume in September, American and Canadian spring crops come out heavily in September, October and November, with not much let-up until navigation closes about the middle of December. Australia and Argentine come in as heavy shippers in January, February and March, and as smaller shippers during the summer months. In May, June and July, India and Egypt are shipping freely, and in August and September the Balkan States are free shippers.

This brings us back again to the time when our spring crop is again moving, and it is interesting to note that Russia, who is not at present a factor in contributing to the world's shipments, has normally a large crop which comes on the market at the same time as our crop. It can readily be seen that we do not control the world's wheat prices, but there is a time of the year when importing wheat countries normally look to us for supply, and if we do not sell them wheat in the fall of the year, when they want it, what is going to be the result? It simply means that we are going to have to sell our wheat later, when other countries are pressing their new crop wheats on the market, wheats that have no interest or storage charges against them. Not only would we have to compete in selling against this wheat produced in countries with lower standards of living than our own, but we must compete with them in bidding for ocean tonnage, and pay higher rates than we have to pay in the fall of the year, when the ships are not employed in the long hauls to Argentine and Australia.

I have pointed out when some of the chief wheat exporting countries market their crop but I have not pointed out that during the months of June, July, August and September, there is produced in the world 2,400,000,000 bushels of wheat. This

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represents about 75 per cent of the world's annual wheat production. It would be misleading to leave these figures without further comment, because the world's wheat price is determined by the exportable surplus, and the requirements of wheat importing countries is only about 600,000,000 bushels, annually, but we must not forget that this 2,400,000,000 bushels of wheat has a regulating influence and if prices are high economy results, consumption is lessened, and an increased amount of wheat is made available for countries that require to import.

With these conditions, is it reasonable to think that the Government of Canada, or any other Government can lift the whole world's price for wheat? To accomplish this, economic laws would have to be suspended. If the economic laws could be suspended for the benefit of the western grain grower, I would not want to oppose it. I know the western grain grower and no man in this room admires him more. He has lots of courage and boundless optimism, and with the character of our soil and the character of our people, I believe we will succeed as a wheat exporting country. The grain trade believe this, and have backed it with their money. They also have been optimistic and the elevator plant and equipment of Western Canada anticipates much larger crops. If we cannot grow wheat profitably and do not produce large surpluses, the grain trade will suffer as well as the western wheat growers.

We must bear in mind that while we have a long rail haul, that we have nothing like as long an ocean haul as has Argentine or Australia. It is 3,000 miles from our North Atlantic port to the United Kingdom; from Argentina to the United Kingdom it is 6,000 miles, and from Australia to the United Kingdom it is 11,000 miles, via Suez, and 11,700 around the Cape. Yesterday I wired our Montreal office for freight rates, and they replied that the ocean freight on wheat yesterday from Montreal to the United Kingdom was 6.97 cents a bushel, slightly under 7 cents. From New York to the United Kingdom the ocean freight rate was 5.57 cents a bushel, slightly under 6 cents a bushel. From the Argentine to the United Kingdom the ocean freight rate was 14½ cents a bushel, and from Australia to the United Kingdom the ocean freight rate was 28 cents a bushel. I might also add that the freight rate from India was 14½ cents a bushel.

The DEPUTY CHAIRMAN: That seems low, compared with the rate from the Argentine.

Mr. RICHARDSON: Yes.

An hon. MEMBER: Have you the figures for flour?

Mr. RICHARDSON: No.

Mr. McCONICA: Have you the rail rate from Winnipeg to New York?

Mr. RICHARDSON: I did not give the rail rate.

Mr. FORKE: Could Mr. Richardson give us any of the comparative costs of getting the wheat from inland to the seaboard in the respective countries mentioned?

Mr. RICHARDSON: It is only through our cables that I am aware of the price at which wheat can be delivered at Liverpool or other markets in which we are competing. We get daily the figures that the other people are offering, but I could not give you the details in regard to their internal costs.

The DEPUTY CHAIRMAN: I think we can proceed more expeditiously if Mr. Richardson is permitted to conclude his evidence before being questioned.

Mr. RICHARDSON: What we save in ocean freight helps us a little in our long haul, but our rail freights are much too high, and must be reduced. If it is true, as stated on good authority, that every settler is worth \$800 to the railway, then it is poor policy for the railways to charge such high rates that they will kill the goose that laid the golden egg.

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The grain trade believe that they handle their part of the work in a way that invites honest investigation and study. Free competition regulates the grain trade throughout, and we do not believe that any large saving can be effected in this direction. We think that the place to look for the saving is in the rail rates and threshing costs, which are really very big items.

There is only one other point that I would like to dwell on for a minute. I would like to ask what is our fundamental right to succeed as a wheat exporting country if it is not our ability to produce wheat at a cost which will enable us to meet world competition. If the farmer in the south-western States can grow wheat and ship it out of the Gulf of Mexico on a short rail haul and sell it in the world's markets at a price with which we cannot compete, and if other wheat growers situated closer to the seaboard can produce wheat in volume and sell it at a price with which we cannot compete, then we will not succeed as a wheat-exporting country. If on the other hand, the wheat grower in Western Canada, with his cheap land, and the character of his soil can, in spite of a higher rail haul, produce wheat cheaper than the United States, then the United States will cease to be a wheat exporting country. If we propose to sell wheat for export we must realize that we must produce against the world, and that the buyer does not ask whether the wheat was produced by a Hindoo or by a Chinese coolie, he is interested only in the price and quality. He buys wherever he gets the most for his money. He will not pay more money because the wheat was produced in Western Canada, where standards of living are much higher than in other parts of the world from where he also draws his supplies. To try and boost the Canadian wheat price above its value in the world's market would get us nowhere. We would only be holding an umbrella for wheat producers in other countries to sit under, and we would be encouraging production in other countries instead of in our own.

I leave this last idea with you. To increase world's wheat prices the world must eat more or the world must produce less, but this does not mean that we may not produce more and other parts of the world less. This depends entirely on our ability to compete, and we must remember that the higher the price the greater is consumption curtailed, and the lower the price the greater is consumption and the greater is the wastage. If it is a big crop they eat it all up, and if it is a small crop there is always enough to go round. That was passed on to me by my father as a saying of my grandfather's! The basic principles do not change.

I do not maintain that our present grain system is perfect, nor would I attempt to vouch for the business ethics of every one of the thousands of men engaged in it, but I do maintain that the system must be judged as a whole, and in spite of what may be termed defects and abuses, our system on the whole works marvellously well, and you must remember that some system is necessary to absorb the shock of price readjustments. In a business where price values are affected every month in the year by the condition of growing crops and general world conditions affecting water freights and finance. If anyone here thinks that there is big and easy money made in the grain business, my answer is, it is one of the easiest businesses in the world to get into, and people engaged in it think it is one of the hardest businesses in the world to stay in. So far all our progress has been made through individual initiative and enterprise, and I believe that our further line of progress lies in the same direction, and just here I would like to quote from a speech delivered by Julius H. Barnes at the Casino Club, Chicago, on March 20th last; Mr. Barnes was the United States Wheat Director, his conclusions should therefore be given consideration. Mr. Barnes had been speaking about conditions in Russia, and then goes on as follows:—

"Our own theory of Government is diametrically opposite. Briefly stated, the American theory is that Government is organized solely for the purpose of securing the equal rights of individuals. We who believe that only in the atmosphere of perfect equality of opportunity for individual effort can sound

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social progress be made, must be constantly on guard against the extension of autocratic and bureaucratic control into the social relation."

Anyone is foolish who attempts to forecast wheat prices a long ways ahead, because to do this well he would have to know in advance how the growing crops of the world mature, and he would have to have advance knowledge on the other factors that go to make prices. I might state that one of the chief factors against wheat prices has been the lack of ability to pay. What is the use of our figuring the eating capacity of the wheat importing countries in Europe as long as we will sell them nothing except against the cold cash that rattles over the counter, and it must rattle over the counter on this continent before our grain leaves our shores. The ability to pay is as important a price factor as the ability to eat. We must take into account not only how empty the stomach of the foreign buyer may be, but also how much money he has in his pocket.

I am in hopes that with the return of somewhat more stabilized conditions in Europe that we will see enlarged world shipments of wheat, and the present outlook gives us some reason to hope that our new Spring crop will be merchandized on a basis such that the net return to the wheat grower will show the purchasing power of a bushel of wheat considerably more than it was on our last crop. However, be this as it may, the price that we will get for our new crop will depend on world's conditions and not on a Wheat Board. If world's conditions justify high prices, prices will be high, if world's conditions force low prices, prices will be low.

I was in favour of a Wheat Board the year the Wheat Board was established, but I am not in favour of a Wheat Board now. It is not perhaps good business for me to go out of my way to boost one of my chief competitors, but quite regardless of that fact, I would like as a Canadian to record my admiration of the very able way that the Wheat Board work was administered under the direction of Mr. James Stewart. Doubtless, Mr. Riddell was a very able lieutenant to Mr. Stewart, but after all, it was a one-man job, and I venture to say that Mr. Stewart gave his Board no advance notices of what he proposed to do. World's conditions were in his favour, and he exacted the last pound of flesh when the foreign buyers were compelled to come here for their supplies, and the prices secured in the spring and summer months made a very high average for the crop. I regard Mr. Stewart one of the ablest men we have in Canada in any walk of life, he is a hard-headed big-fisted Scotchman with a constitution of iron, and yet I venture to say that he spent such an uneasy time during the winter of 1920, that it will be reasonable to mark several years off his life.

In conclusion let me say that while I do not know what the millers may have done I do not think the grain trade made any complaint about the Wheat Board. Whether the re-establishment of that Board should be further considered is, I will admit, open for argument. From my own point of view, based upon my experience in the grain business, I think its re-establishment would be a very great mistake and would ultimately lead us into trouble. If there are any questions which members would like to ask I shall endeavour to answer them to the best of my ability.

The DEPUTY CHAIRMAN: May I make the suggestion that the questions be asked one at a time by one member at a time.

Mr. LOVIE: Could we have the chart for 1921-22 hung on the wall? The bulk of the wheat in 1921 was marketed at a very low price. It started high and to-day it is high, but it went in at a low price for the reason that the banks shut down on credits and the wheat had to be sold at that low price. The reason we ask for a Wheat Board is in order to stabilize conditions and prevent that excessive loss to the farmers in marketing their wheat.

The DEPUTY CHAIRMAN: What enlightenment do you want from the witness?

Mr. LOVIE: I want the reason why the wheat went down like that.

The DEPUTY CHAIRMAN: Other than the banking reason you have stated?

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Mr. LOVIE: That was not the reason. The farmers had to sell then because the banks would not advance any credit in the prairie provinces. The market went down below the cost of production, and a repetition of that condition means ruin.

The DEPUTY CHAIRMAN: Have you any explanation to offer, Mr. Richardson?

Mr. RICHARDSON: October wheat starts off high, around \$1.50. I have tried to explain some of the fundamental factors in making the price. When that wheat was bought at \$1.50 it opened there. The amount of wheat sold at that price for export was never very large, but there was a little. We, ourselves, sold some wheat for September, about one million bushels. We sold a little for October, but there was no general broad support of our market around that level, none whatever. The English miller bought a certain amount of our wheat. He grows normally in England about 8,000,000 quarters of wheat.

The DEPUTY CHAIRMAN: What is a quarter in terms of bushels.

Mr. RICHARDSON: 480 pounds to the quarter. He grows in England about 64,000,000 bushels of wheat, which normally is distributed over the year fairly well. When our wheat started off there was a certain amount of buying at that price, but not enough to take care of the market. The financial conditions were extremely serious in England. The English crop came on early. It was of beautiful quality and came right into the miller.

The DEPUTY CHAIRMAN: Into the British miller?

Mr. RICHARDSON: Yes, the English local wheat crop, which averages about 64,000,000 bushels. It was a very hard nice wheat. It came out very fast. The English miller had bought a little stuff from us, but possibly financial pressure caused him to rush his wheat out there very fast, and that wheat largely supplied their requirements. They usually import about 17,000,000 bushels a month, and the local crop is distributed more evenly over the year. The people who bought wheat from us were being supplied so fast by their own farmers and growers at less money that they wanted to re-sell.

Mr. FORRESTER: That is, they wanted to re-sell the options?

Mr. RICHARDSON: No, the wheat we sold them we could buy back far cheaper than we sold at.

Hon. Mr. STEVENS: After or before shipment?

Mr. RICHARDSON: Before it was shipped; and we could have bought it back after it was shipped at any time.

Mr. MILLAR: That was brought about by the rapid delivery of the farmers?

Mr. RICHARDSON: Yes; and I think the financial conditions all over the world probably had a lot to do with it. That wheat came out very fast, and the English importer had not guessed right. He took, probably, the biggest losses that were ever taken. He got well trimmed, and, of course, tried to pass it on to the fellow over here. To show some of the problems the exporter is faced with, I will cite an instance where we sold large quantities of wheat for September seaboard at high prices. The congestion at Montreal rendered it almost impossible to get our grain shipped. There were 72 boats in the harbour, and we were interested in 22 of them. We got all our August and September stuff out except 56,000 bushels and it cost us \$26,000 to settle that 56,000 bushels. The only other place we were in was at Quebec, where we tried to run a boat in and get it out. The elevator mixed the grain, and they had to stop and clean the grain. We drew on the English miller. Whether he speculated on it or sold flour against it, I do not know, but he had the ownership of it for a long time. Some time in October, however, before our drafts were paid, the market went down so much that he cabled over that he would not take up our draft because he did not believe the grain was loaded in September, that it came in early in October. He cabled the Harbour Commissioners at Quebec for evidence. The Harbour Commissioners at Quebec wired back to him to the effect that there

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were 46,000 bushels of wheat on board by midnight on September 30, and that 2,000 bushels not then on board owing to heavy grain went on board early on the morning of the 1st October. Our English friend said "You cabled us that 48,000 were on the ship. Your documents are not in order." When I found that 2,000 bushels were not on board I knew we were in wrong, and it cost us \$30,000. We cannot afford to make mistakes in the export business. That is the type of fellow we are going to make pay a lot more for our grain than he is paying now! A little while ago I was speaking to a friend of mine in New York about our continental business and he said, "Oh, I would much rather trade with the continent than the United Kingdom, because the trader in England knows every angle of the game. When you make a contract with him you can depend upon it that it is going through, but if there is an "i" not dotted or a "t" not crossed, and the market goes down, he turns the deal down and you are licked. The continental man tries to get out regardless of whether he has a right to get out or not, but we know too much for those fellows."

Mr. SALES: What proportion of your business is done direct with the United Kingdom?

Mr. RICHARDSON: All our export business. Do you mean what percentage of our business is continental business and what percentage United Kingdom?

Mr. SALES: No, what percentage is done through United States points, New York and other points?

Mr. RICHARDSON: Normally, Montreal is the best port from which to do business with the United Kingdom.

Mr. SALES: I was thinking of those big men, Sandays of Liverpool, Dreyfus of Paris, and others that you mentioned some time ago, who had their agents over here. Do you not do business with them at New York points?

Mr. RICHARDSON: No; they have their country elevators and organizations complete. We do business against them in Europe. Last week or within the last ten days I got a wire from the Montreal office saying a certain competitor in the United Kingdom was offering oats at Rotterdam at  $\frac{3}{4}$ ths of a cent per bushel under what we could sell at. They said they had exhausted all their ingenuity in an attempt to shave the ocean freight in order to enable us to meet this competition, but could not do it. They asked me to re-check our figures and ascertain what was wrong with them. I said, "I cannot see it at all unless it is in the ocean freight." The next day the Royal Mail line announced a lower freight to Rotterdam. Our friends on the other side had received that information a day in advance.

Mr. SALES: You spoke of the services rendered by the trade, and the low charges. I believe you are also members of the Grain Exchange and owners of a line of country elevators?

Mr. RICHARDSON: Yes.

Mr. SALES: You spoke of financing your business.

Mr. RICHARDSON: Yes.

Mr. SALES: That is one of the things you had to do in return for the money you got. My attention has been drawn to some evidence given in Regina. Do you know Mr. H. M. Baird, ex-president of the Winnipeg Grain Exchange, and a member of the firm of Baird & Botterell, of Winnipeg?

Mr. RICHARDSON: Yes.

Mr. SALES: And Mr. W. T. Thompson, of Thompson, Sons & Company?

Mr. RICHARDSON: Yes.

Mr. SALES: I see in a newspaper report of the trial of E. E. Quigley they stated that it was a practice common to members of the Grain Exchange to pledge their clients' securities in order to obtain money to carry on their own business. Mr. Thompson, upon being asked: "Is that a common practice of the trade?" replied: "As

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far as I know it is. It has always been the custom of my firm and I am reasonably sure that it is done by most firms in the same business." He was then asked: "You mean that it is your plan to take your customers' bills and borrow money on them for yourself?" and he answered "Not for my personal use, but for the business. It is a general practice among grain men to pledge bills on which nothing is owing." Mr. Baird said: "We consider that we are privileged to pledge any securities in our possession to meet exigencies." This firm failed for thousands of dollars, and the farmers' grain bills were pledged, according to this evidence, to carry on the business of the men engaged in the grain trade. Mr. Richardson has stated that he could not answer for the ethics of all the trade. I do not suppose he can, but I would like his opinion on the practice of pledging bills on which nothing is owing?

Mr. RICHARDSON: Speaking on behalf of our own firm I may say that we do not pledge securities of that kind at the bank. I think the point mentioned sounds worse than it really is. A commission house in Winnipeg may advance a farmer \$750 against a bill of lading. They have not an unlimited amount of money. After they do a certain amount of business they have to take that bill of lading to the bank and get an advance against it. Strictly speaking, that advance could only be for the exact amount that they advanced against it in the country.

Mr. SALES: That is all right, because when a man received an advance from your company he assigns his bill of lading to you, which is a different matter to a bill of lading on which nothing is owing.

Hon. Mr. STEVENS: What has that to do with the Wheat Board?

Dr. MAGILL: Mr. Baird is attending the meetings of this Committee and is now in this room. If it is a matter of interest to this Committee I submit they should ask Mr. Hugh Baird himself.

The DEPUTY CHAIRMAN: We have before us now a representative of the grain business whose family have been in the trade for three generations. Mr. Richardson, what would you think of such a procedure as taking a bill of lading on which there was nothing owing and raising money upon it? Would that appeal to you?

Mr. RICHARDSON: I would rather not be asked to pass any opinion on the matter.

Hon. Mr. STEVENS: Do you do it?

Mr. RICHARDSON: No.

Hon. Mr. STEVENS: That is all we can ask him, Mr. Chairman. I submit we should not ask Mr. Richardson to sit in judgment upon Mr. Baird, who is in attendance at this meeting of the Committee. I think it is altogether wrong to put Mr. Richardson in that position. He said he would not do it, and does not do it. Is not that enough?

The DEPUTY CHAIRMAN: I am not asking Mr. Richardson to judge Mr. Baird. A certain practice has been brought to the attention of the Committee, and I am asking Mr. Richardson what he thinks of that practice. I do not know whether that practice is general or rare.

Hon. Mr. STEVENS: He says he would not do it.

An Hon. MEMBER: What he thinks about the practice is that he would not do it. If other people do it, it is their business.

Mr. WARNER: I would like to ask Mr. Richardson whether it is because they do not need to do it that they do not do it? Is it because you have finances enough without doing it, or because you feel the principle is wrong?

Mr. RICHARDSON: We have never discussed it in our organization.

Mr. FORKE: A good deal has been said about confiscation. When a grain firm takes a bill of lading and uses it as credit for their business, is not that confiscating the farmers' wheat? I sent down two cars of wheat to Winnipeg at one time, and

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pressed for the payment for those cars of wheat when they were sold. I had to go to the bank with the commission agent and back his notes in order to get the money for my wheat, which was eventually paid. He took up the notes at the bank afterwards. But it seems to me that is a scandalous method of doing business. I do not know whether it is common on the Grain Exchange or not.

Mr. FORRESTER: Why did you do it?

Mr. FORKE: Because I wanted the money.

Mr. FORRESTER: You were going behind his business.

Mr. FORKE: He could not get the money out of the bank until I backed his note.

Mr. RICHARDSON: Mr. Forke has brought up a point that I would like to answer carefully and emphatically, in so far as our firm is concerned. As I previously stated, I cannot undertake to hold a brief for everybody engaged in the grain business. There never was a time when we did not hold grain to cover every bushel of consigned grain shipped to us and not yet sold. This consignment business is handled by a special department of our organization. They do not ship at all out of Fort William or Port Arthur or east of Fort William or Port Arthur. They do not ship the farmers' grain out, and they do not authorize any one else to ship the farmers' grain out, nor do they close the car out until they get instructions from the farmer to close it out.

Mr. MILLAR: I think we are very fortunate in having Mr. Richardson before us. He has given very straightforward evidence, and I agree with nearly everything he has stated. There are, however, some points upon which I would like a little information. Mr. Richardson is interested, not only as an importer but as the owner of a terminal elevator. There is a matter in connection with terminal elevators which I cannot bring out by a single question. The idea is this, that the mixing elevators are a very great detriment to the growers of grain. Go back to the British buyer. As Mr. Richardson knows, the Britisher is a very keen buyer, and I believe he will agree with me that if even 10 per cent of the grain coming from any inspection—say from the Winnipeg inspection—is off colour, it affects the price of every bushel of grain that is shipped from that market. I understand that a carload of No. 3 from Canada was absolutely refused on the British market during this season. Anyway, I am sure that if even 10 per cent of the grain from any inspection is found to be off grade, it will affect all the grain from that market. If that is the case, what is the effect, in your opinion, Mr. Richardson, of the presence of mixing elevators at Fort William? About 50 per cent of our grain at the present time passes through the mixing elevators, and although it is contrary to law, a great many cars are (I will not use the word "stolen") substituted,—cars that are supposed to go to public elevators that are very high in the matter of grading. That is, a car of No. 2 that is almost No. 1 is substituted. It is taken to the mixing elevator, and a car of poorer grain is put in its place. I have the proof here, and it can be readily established. I believe the inspectors are expected to grade the grain out of these mixing elevators at the average of the grade, not allowing the mixing elevators to degrade it to the very bottom of that grade. But for some reason—I do not know whether the inspectors are to blame or not—the grain gets out of those mixing elevators in a far poorer condition than it should. We have had the evidence of two millers to the effect that they avoid, as far as possible, the grain from those mixing elevators. I believe that is a source of very great loss to the growers of grain, because that grain going over on the British market and to the millers in Eastern Canada in a degraded condition affects the price of nearly all our grain.

Mr. RICHARDSON: I am just as anxious as Mr. Millar or any one else here is to see that the standard of our Canadian wheat is maintained. To answer his question

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I would have to refer to the development of the private elevator. The private elevator has developed largely in the last few years. Part of the reason for it is that our big regular public storage elevators were not allowed to mix grain. They had to ship it out exactly as they took it in, covered by the identical paper. That is, if they handled during the year 1,000,000 bushels of No. 1 Northern they must ship out 1,000,000 bushels, and if they took in a million bushels of No. 2 they must ship out a million bushels of No. 2. If they took in a car of tough rejected No. 2 Northern, they must ship out that grain as tough rejected No. 2 Northern. They can dry it if they like and ship it out as dried rejected No. 2 Northern, but this characterization on the certificate works adversely to a satisfactory sale of it, particularly to a foreign buyer. There were some years in which we had a lot of tough and off-grade grain. In those years some small elevators started up and bought this off-grade grain, and on account of the big elevators being unable to do anything with them, and also on account of a lack of good competition for this class of grain, the small elevators bought these cars at a large discount. I cannot say definitely that it is true, but they are reputed to have made very satisfactory profits in handling that grain. Anyway, it results in more small elevators springing up around the port, extending over about twelve miles. It was an uneconomical proposition from every point of view to have these little elevators handling that stuff, when they could not handle it half as well as the big houses could handle it. They had to have an inspector at every one of these little elevators. Then the question of a sample market came up in Winnipeg on account of these off-grade cars, and the Government thought it was desirable that the sample market should be developed. The Winnipeg Grain Exchange provided room and made some provision for a sample market, but they could not possibly have complied with the request for the establishment of a sample market, unless they had large private elevators. Speaking for our own company, we saw the drift of events and equipped our plant in Port Arthur with the idea that eventually we would go into the private elevator business. I had that in mind because free wheat was then on the boards, and I could see very distinctly if the large private elevators in Duluth could pay a little premium for our choice grades of wheat it would draw all our wheat to Duluth. I do not want to speak like a citizen of the United States, but the fact is that we have a better elevator operating in Port Arthur than in any part of the United States, and we are not afraid of competition from them so long as we have a fair chance to compete with them; but if they could pay for grain down south, pay premiums for it and pick out the good cars, we would probably find ourselves, as exporters, buying some of our own No. 1 Northern wheat coming out of Duluth cheaper than we could put it through our own elevators at Fort William and Port Arthur. We changed our elevator over into the private elevator business. I do not know of any complaint having been made with regard to our own elevator. When I was in New York a shipper told me that our grain was worth a cent a bushel more than grain from any other private elevator in Fort William—or some private elevators. I said "It is very nice of you to say that, but you never paid us any more money." I do not think there is a single complaint with regard to any of the big private elevators in Fort William to-day.

The DEPUTY CHAIRMAN: Are they blending elevators?

Mr. RICHARDSON: Yes, but it has been charged that wheat has gone out of Fort William and Port Arthur as No. 3 Northern that is not No. 3 Northern wheat, and the Dominion Government inspector has given a certificate for it. The grain trade do not inspect the wheat. It is fully covered by the Act. I will admit that the situation is much more difficult with private elevators than it is with public elevators. It is a grain inspector's job. But grain going out of private elevators should be equal to the average of the grade. We have a small elevator in Winnipeg called the Anchor elevator, which runs exclusively on sacked oats for the lumber camps. I remember taking in a car of No. 2 Northern, weighing it up and shipping it on to

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Fort William. When we shipped it out the inspector called it No. 3. We went to him and said, "But you inspected this car in yesterday as No. 2?" He said, "Yes, I did; and yesterday it was No. 2; but to-day it is No. 3. When the wheat came in yesterday it was No. 2, but a very poor No. 2, and you know that grain going out of a private elevator must be equal to the average of the grade, and this is not equal to the average of the grade and therefore you are going to get a certificate for it for No. 3." That was the only car of wheat we handled through that elevator that year. We pointed out that if we had built it up we would have got a certificate for it for No. 2.

Hon. Mr. STEVENS: Had it been a public elevator it would have been inspected out as it was inspected in.

Mr. RICHARDSON: Exactly. I am not holding a brief for every one engaged in the grain business, but I think the average grain man will compare very favourably with any other man engaged in any other line of business. If the stuff goes out of Fort William and is not right, I do not want to see it. As soon as I heard the report, I went to our elevator managers and said, "What about these reports?" and they said, "Why should we worry? Nothing has gone out of our house that we cannot stand behind." I said, "That is what I want. We worry because it will affect the standard of our grain; we do not want stuff shipped out that is not right." If it is not right, who is to blame for it? It is the inspector that gives the certificate for stuff that is not what it should be. I am not saying he does, but I say we have no control over the certificates. They are under Dominion Government inspection.

Mr. SALES: The owner of a private elevator who is not also an exporter has not the same interest that you have in maintaining that standard?

Mr. RICHARDSON: He does not make the standard; the Government makes the standard. He has nothing to say about that. He is going to try to get it out just as low as he can, as a private elevator.

Mr. MILLAR: He is not as much interested in keeping up the price on the English market.

Mr. RICHARDSON: Do not put it in the hands of the private elevator operator to grade the wheat.

Mr. SALES: That is all right, but when those boats are being loaded—

Mr. RICHARDSON: The whole weakness is in the human element.

Mr. SALES: When I ship a carload of wheat down and it is inspected in Winnipeg, the sampler is supposed to get in and stab the wheat in a number of places with a long brass appliance which opens and takes in wheat and then closes. The inspector is thus enabled to get samples in half a dozen places from the top to the bottom. I have seen wheat being loaded on boats and have watched the inspector catching it as it is going out of the spout into the hold of the vessel with a little tin on the end of a stick. Sometimes he gets samples that are so thin and so poor, and the No. 3 gets so near to No. 4 that the inspector says, "I cannot let any more go in," and they fatten it up a little bit and in it goes. My contention—and also Mr. Millar's contention, I think—is that the average of our No. 3 has been injured by the mixing houses. Mr. Labelle said he did not want to have anything to do with them.

Mr. RICHARDSON: He does not know wheat when he sees it.

Mr. SALES: Possibly he does not, but I maintain that the miller who subjects his wheat to chemical laboratory tests should know wheat better than the man who merely looks at it in his elevator.

Mr. RICHARDSON: A number of millers are buying wheat on the Government Inspector's certificate, and many of them do not know anything about wheat except the certificate. Many of us in the grain trade feel that if we were in the milling

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business we could give some of the millers a hard run for their money. Some of the millers, of course, feel they would put us out of business if they entered the grain business.

Mr. SALES: I remember years ago the grain men argued that mixing grain did not deteriorate it, and the representation of the farmers at that time was that if mixing did not deteriorate it there was no desire to rob the mixers of grain of the reward for their labours. At the same time we asked that any grain going through a mixing house should bear the word "sample" across the certificate, and those men said they would not have it.

Mr. RICHARDSON: In regard to that I do not want to reflect on the millers, but they judge it by report to a great extent. There has been a complaint about our No. 3 Northern this year because some of our No. 3 Northern was damaged by the weather last year. It was very good wheat but was slightly bleached and had a few odd sprouts in it. The American exporter bought that wheat as No. 3 Northern and expected to ship it out of the American seaboard on American Federal Certificate as Dark No. 2 Northern, but owing to the fact that the wheat was bleached it did not meet the requirements of the American Federal Dark No. 2 Northern, and consequently he felt very sore and made a big roar about our No. 3 Northern wheat. Possibly General Labelle heard about that; I do not know. Possibly there has been wheat going out of private elevators at Fort William carrying a certificate that does not properly represent it; but that is the fault of the inspection. Mr. Godfrey buys for the Quaker Oats Company. He told me the other day that he had received instructions from the Quaker Oats Company indicating that they wanted private elevator stuff because they were sure of getting the average of the grade. Is that right, Mr. Godfrey?

Mr. GODFREY: Yes.

Mr. RICHARDSON: The miller would like to get No. 1 Northern wheat that weighs 64 pounds to the bushel. He does not get it in private elevators. He should get the average of the crop. If the average of the crop is 61 or 62 pounds he should get the average of the crop.

Mr. LOVIE: What is the reason that 64 pounds does not grade No. 1 Hard?

Mr. RICHARDSON: If it had the other qualifications it would be No. 1 Hard.

Mr. LOVIE: How much is the wheat hurt by a shower of rain, so far as its milling qualities are concerned?

Mr. RICHARDSON: I do not think it is hurt much more than the moisture content.

Mr. LOVIE: Is it hurt at all?

Mr. RICHARDSON: To this extent, that if there is much moisture in it, nobody wants to carry that amount until next summer.

Mr. LOVIE: But if it is as hard as flint, is it hurt if it is bleached a little?

Mr. RICHARDSON: I would not like to say anything about its milling qualities.

Mr. MILLAR: Mr. Richardson referred to the grain that had become damp and was dried and disappeared with the sale of that grain if it went out as anything else but on straight certificate. If there is an attempt made to sell that grain for something that it is not, an injury to the trade will result. I took as an example tough, rejected No. 2 Northern with an excess amount of moisture, probably rejected because of wild oats. If the private elevator dries that grain and cleans out the wild oats it qualifies for No. 3 Northern. Dry No. 2 Northern qualifies for No. 3 Northern, and goes out as such, but the public elevator would have to ship it out as dried rejected No. 2 Northern, which would not be as satisfactory to dispose of, particularly as there might only be a small quantity of it. With a big trade in No. 3 Northern it goes out more satisfactorily as such.

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Mr. MILLAR: Mr. Richardson very wisely refused to become responsible for the sins of other elevator operators. Perhaps we are unfortunate in having before us a representative of a company reputably straightforward in their dealings.

The DEPUTY CHAIRMAN: You do not send the worst animals to the exhibition.

Mr. MILLAR: Mr. Richardson has, however, perhaps unwittingly admitted my point when he states that a member of the grain trade in New York told him the grade of wheat from his elevator was worth one cent a bushel more than the wheat from any other private elevator. First, he stated "any other private elevator," and then he said "some private elevators."

Mr. RICHARDSON: I said they never paid us that cent a bushel. He may have been trying to make me feel good by talking in that way.

Mr. MILLAR: I do not think so. The impression conveyed to us by Mr. Godfrey was that the grade of the wheat from the mixing elevator was not worse than the grades from other elevators. Is not the case cited, where the company asked for grain from a mixing elevator, an exceptional one? I am quite convinced we are suffering great loss by the existence of these mixing elevators. They were obtained after a great fight lasting for many years. It was claimed that we would get a great deal more if we had a sample market, and in order to get the sample market, we had to get these mixing elevators. I think the desire of those who sought the establishment of a sample market was to get the mixing privileges. How many cars of grain are sold in a year on the sample market which we have at the present time?

Mr. RICHARDSON: It is not effective at the present time. It is a railway problem. We never had a sample market, practically. The private elevators are paying premiums for grain going into Fort William.

Mr. MILLAR: It was established by law.

Mr. RICHARDSON: Yes; and we made all arrangements for it, but unless we received an order from the railway company for cars to be held in Winnipeg and the samples placed on the tables and the wheat sold on sample it would be difficult to satisfactorily develop a sample market. At the present time our grain goes through with such a rush in the fall of the year that our railways think it would tie up transportation altogether if it went through the sample market. The problem at the present time seems to be a railway problem.

Hon. Mr. STEVENS: The facilities are there for them if they want to take advantage of them?

Mr. RICHARDSON: As far as the grain trade is concerned, they have complied with the regulations.

Mr. MILLAR: Those were the very arguments used by myself and others years ago against the establishment of the sample market, and yet the trade—

The DEPUTY CHAIRMAN: The farmers?

Mr. MILLAR: No. At one time they wanted the sample market, about 75 per cent of them, but as the months went on they were persuaded that it was against their interests, and sent representatives to Ottawa to prevent its establishment, but it was forced upon them.

Mr. RICHARDSON: The first resolution carried?

Mr. MILLAR: Yes, against their wishes; and I believe the object of the effort to get a sample market was to get the privileges of the private elevators.

Mr. EVANS: I am not sure that this Committee has not lost to some extent the viewpoint of the farmer from whom the unanimous demand for the re-establishment of the Wheat Board has come. James Richardson & Sons, Limited, is an old-established firm with whom I have done business and of whom I know something in regard to their integrity, and I think Mr. Richardson is well able to answer this

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question. It is not that the farmer expects the Wheat Board to raise the world's price of wheat, but he does expect that the wagon-load price should bear some relation to the export price. That 1921-22 chart shows an extreme case of \$1.02 as the lowest price. The farmer at that time was getting about 72 or 74 cents. He was getting about 70 cents for No. 2 Northern, and No. 1 Northern was worth the spread above that, on a 21-cent freight rate. I would like to know, in view of the fact that James Richardson & Sons, Limited, is a collecting firm as well—

Mr. RICHARDSON: We operate country elevators, yes.

Mr. EVANS: I would like to know how you fix your wagon-load price and what relation it bears to the present export price? How do you fix the price paid to the farmer as compared with the present export price? We think we lost about eight cents a bushel at least this fall.

Mr. RICHARDSON: The eight cents would be the difference between what, the track and street prices?

Mr. EVANS: Between the wagon-load price and the cash price at Winnipeg.

Mr. RICHARDSON: That is the toll of the elevator, eight cents?

Mr. EVANS: Our price was 70 cents to 72 cents at the time it was \$1.02 in Winnipeg.

Mr. RICHARDSON: What would your freight added be?

Mr. EVANS: Twenty-one cents.

Mr. RICHARDSON: A hundred?

Mr. EVANS: No, a bushel.

Mr. RICHARDSON: What was the date of that?

Mr. EVANS: I am not quite sure of the date, but it was after we started threshing after the storm; just about the 1st November, I think.

Mr. RICHARDSON: What was the price you got on the street?

Mr. EVANS: About 70 cents.

Mr. RICHARDSON: And the cost of putting it into Fort William would be 21 cents. That is 91 cents. What was the price in storage at Fort William at that time?

Mr. EVANS: \$1.02.

Mr. RICHARDSON: I was away during the whole of October and November. I did not return to Winnipeg until the 23rd December. I have no detailed information on these points. That price of \$1.02 was for what, December wheat?

Mr. EVANS: I am taking the Winnipeg cash price.

Mr. RICHARDSON: You had the privilege of putting it on the car and shipping it to Fort William if you did not want to take that price.

Mr. EVANS: We cannot all do that.

Mr. LOVIE: What do you do if you have not got a carload?

Mr. RICHARDSON: If you do not like the price you can get a ticket for your wheat at the elevator, and obtain a 60 per cent advance against it. Or if you have a carload you can put it in a special bin at the elevator and get a 60 per cent advance against it and ship it when you want it shipped. Dr. Magill brought out yesterday one of the points in regard to street prices, and that is that the farmer has many more opportunities of getting cars under the present regulation than has the elevator companies, and the grower has the privilege of putting his grain on the car and shipping it to the head of the Lakes and having it sold for him on the open market at a cent per bushel commission. But when he gets cars, the elevator man is in a worse position, and has to buy that wheat on the street in anticipation of what he is going to be able to gain for it when he gets a car to the head of the Lakes. That brings up a question that must have disturbed many of the growers in Western Canada, that we

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had a high spot price. In the Fall of the previous year the foreign buyers were urgently in need of wheat immediately, and had to pay through the nose for every bushel they received. Our firm exerted every effort it could to buy stuff two or three months ahead, but they would not buy a bushel. When the price was high they bought as little as possible, and figured that when the Argentine and Australian wheat came on and there was more competition, they would get the wheat much cheaper. The man buying the stuff back in the country had to pay a price that anticipates getting the grain out perhaps two or three months or longer ahead, and the man who puts grain in the elevator that cannot be marketed until next May has to look at the May price, not the October or November price. We cannot get that price for him, much as we would like to do so, nor can the Wheat Board or anybody else. If prices in the spring come up, he wins; if he closes out his wheat in a position that he cannot realize on it for five or six months, we have to protect ourselves the best way we can.

Mr. MILLAR: I asked Dr. Magill the same question yesterday, and he missed the point, not intentionally, of course. Would you try to forget entirely the grain that cannot be put on the car at once and direct your attention to the time when there are plenty of cars and the grain can be loaded the next day, grain coming from one farmer who has a carload and from another farmer who has only one load. The one receives 70 cents a bushel for his carload of wheat and the other receives 65 cents. It all goes into the same bin and the same car. They "hedge" against the wheat bought on the street as well as the wheat bought by the carload. We understand the explanation you have been giving of wheat that has been held for a month or two, but we would like you to deal with the other point.

Mr. RICHARDSON: That is the difference between the street and the track price?

Mr. MILLAR: Yes, when there is no shortage of cars. You see, the order book does not then come into force at all.

Mr. RICHARDSON: The difference between the street and the track price is estimated by the different members of the trade to be a fair price for the services they render, and the length of time involving interest and storage until they can get their grain to market; they take the whole situation into account. If that spread is too wide at any particular point and the farmer can get a car right away, his course is to take the car and ship it. He has the privilege of taking a car and shipping it himself, or getting his neighbours to join him and ship it, or else putting the grain in the elevator and storing it; he has those other options.

Mr. MILLAR: In the spring of the year after he has sold his grain he has one load left. Perhaps there is not another farmer within miles, and they could not make up a carload.

Mr. RICHARDSON: I remember speaking to the elevator buyer at Gleason, Alberta, who said "Confound it, I cannot buy a thing out here. A fellow came in yesterday at the tail end of the season and wanted me to give him a ticket for 65 bushels." They have that privilege.

Hon. Mr. STEVENS: Before this witness is dismissed I would like to ask one question: Mr. Richardson, you are well posted in the export business. The evidence brought out by yourself and others is that the foreign market is pretty well controlled by the British buyers. This year there has developed on the Pacific Coast quite a considerable market in the Orient, and there has also been a considerable quantity of grain shipped through Pacific coast points to Europe. Can you give the Committee your opinion as to the advisability of developing that Pacific Coast route for the extreme western crop in order to avoid the long rail haul, particularly in the winter months, to the Atlantic seaboard, and the consequent freight rates?

Mr. RICHARDSON: Of course, the possibility of the Orient taking more wheat is one of the attractive features of the grain trade. Once the Japanese and Chinese com-

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mence to consume flour they will probably continue to do so. Some years before the war we opened an office in Vancouver. We also sent one of our men to Japan with a trunk load of samples of Canadian wheat, established trade codes, and did a slight business, which was largely curtailed when the war broke out. They had been buying chiefly low-grade wheat from the American Pacific coast, which covered their requirements. This year there has been a considerable trade with Japan, but whether or not a large part of that wheat is finding its way into Russia we do not know. If they have a short rice crop over there, the trade will be increased. The Pacific liners are going backward and forward all the time, and would like to develop the wheat trade. From a railway point of view they would like to get enough wheat to move to provide empties to take lumber back. We have done some business out of Vancouver through the Panama canal to both the United Kingdom and the Continent. The business so far has been difficult owing to the fact that the agents we have to deal with on the Pacific Coast are not very well informed about their business. They cannot figure the capacity of their ships, and think that two or three days on a contract does not make any difference.

The DEPUTY CHAIRMAN: The public men should try to raise the standard.

Hon. Mr. STEVENS: This is an important point. One of the difficulties you find is lack of familiarity on the part of the local agents with this business.

Mr. RICHARDSON: Yes, the local agents of the steamship companies on the coast.

Hon. Mr. STEVENS: And lack of surety as to the time of shipment.

Mr. RICHARDSON: Yes.

Hon. Mr. STEVENS: That is, charters and so forth, in connection with ocean transport.

Mr. RICHARDSON: Yes.

Hon. Mr. STEVENS: So that you cannot exactly estimate the time of delivery in Liverpool. These are some of the difficulties you are facing?

Mr. RICHARDSON: Yes, and also the competition of the more established trade routes. We can ship out of the northern Atlantic ports 16,000 to 24,000 bushels on a sale, and if we want to do that business at Vancouver we have to take a 5,000-ton ship and probably she will agree to go to two ports. If we sell 250,000 bushels of grain and the ship takes 275,000 bushels and we send 25,000 bushels forward unsold, they will try to make on the other 25,000 bushels all the profit we made on the first 250,000, and if we are 25,000 bushels short we are up against the same difficulty.

Hon. Mr. STEVENS: Do you expect improvement with an increased familiarity with the business on the part of the agents?

Mr. RICHARDSON: Yes. When there is a little space it is offering fairly cheap, but there is a great deal of uncertainty in regard to getting the tonnage.

Mr. McCONICA: What is the elevator capacity out there?

Mr. RICHARDSON: 1,000,000 bushels.

Hon. Mr. STEVENS: 1,300,000 bushels.

Mr. RICHARDSON: A Government elevator.

Mr. SALES: You quoted our water rates from Montreal as being 6.97 cents as against 14.50 cents from the Argentine. That rather conveys a wrong impression, for when we have to bring our grain from Fort William and Port Arthur to Montreal that rate must be added to the 6.97 cents?

Mr. RICHARDSON: Yes. That rate at the present time is about 9½ cents a bushel.

Mr. SALES: That brings it up to 16.47 cents as against 14.50 cents?

Mr. RICHARDSON: I was referring to the fact that when we got the wheat to the seaboard we had some advantage in ocean freights which would help us out somewhat.

[Mr. James A. Richardson.]

Mr. SALES: I quite agree with Mr. Richardson when he says if we cannot produce wheat in Canada in competition with the world we will go out of business. My question as to this practice of financing was referred to Mr. Baird. What is your intention with regard to it, Mr. Chairman?

The DEPUTY CHAIRMAN: I am very glad Mr. Baird is present. If there are only one or two questions to ask him, perhaps he could be called now. Otherwise, he could be called to-morrow morning.

Hon. MEMBERS: Call him to-morrow morning.

Mr. BAIRD: I can answer you right now.

The DEPUTY CHAIRMAN: We are both in the hands of the Committee, Mr. Baird, and the Committee would rather hear you to-morrow morning.

Dr. MAGILL: There are other grainmen present who might have something to say, too.

The DEPUTY CHAIRMAN: Then we may as well permit the matter to stand until to-morrow morning. I think the thanks of this Committee should be extended to Mr. Richardson for the remarks he has made before us this morning.

The Committee adjourned at 1 o'clock p.m. until 11 o'clock a.m. on Thursday, April 27.

SELECT STANDING COMMITTEE

JACKMAN

ON

# AGRICULTURE AND COLONIZATION

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Minutes of Proceedings and Evidence

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No. 9—THURSDAY, APRIL 27, 1922


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Mr. Hugh Baird, of Baird and Botteral, Grain Merchants, Winnipeg

Mr. R. Evans, Elevator Manager, Winnipeg

Alvin K. Godfrey, Grain Merchant, Winnipeg





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SELECT STANDING COMMITTEE ON AGRICULTURE AND  
COLONIZATION

MINUTES OF PROCEEDINGS

THURSDAY, April 27, 1922.

The Committee met at eleven o'clock a.m., Mr. Kay, the Chairman, presiding.  
Present: Baldwin, Bowen, Brethen, Brown, Carruthers, Charters, Chew, Denis (St. Denis), Evans, Fafard, Forke, Forrester, Good, Halbert, Hunt, Lelliff, Johnson (Moosejaw), Kennedy (Glengarry and Stormont), Leader, Léger, Lovett, Lovie, Lucas, MacKelvie, McConica, McCrea, McKay, McMaster, McMurray, Maybee, Millar, Milne, Morin, Morrison, Motherwell, Pritchard, Robinson, Sales, Senn, Sexsmith, Stansell, Stein, Stewart (Humboldt), Thurston, Warner, White, Wilson and Woodsworth.

On motion of Mr. Millar, seconded by Mr. Sales—

Ordered, That the correspondence with the Department of Trade and Commerce, referring to arrival of grain cargoes in bad condition, be brought down and laid on the table of this Committee.

Ordered, That information in the Department of Trade and Commerce regarding the milling of wheat and the milling values of wheat be brought down and laid on the table of this Committee.

Ordered, That the Report of the Board of Grain Commissioners be brought down and laid on the table of this Committee.

Mr. Hugh Baird, of Baird and Botteral, Grain Merchants, Winnipeg, who was in attendance, was called, sworn, examined and discharged from further attendance.

Mr. R. Evans, Elevator Manager and Grain Merchant, Winnipeg, who was in attendance, was called, sworn, examined and discharged from further attendance.

Mr. Alvin K. Godfrey, Elevator Manager and Grain Merchant, Winnipeg, who was in attendance, was called, sworn, examined and discharged from further attendance.

Committee adjourned at one o'clock p.m. to meet on Friday, April 29, 1922, at eleven o'clock a.m.

ARTHUR GLASIER,  
*Clerk to Committee.*





# MINUTES OF EVIDENCE

COMMITTEE ROOM 424,

HOUSE OF COMMONS,

THURSDAY, April 27, 1922.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock a.m., Mr. Kay, the Chairman, presiding.

The CHAIRMAN: Will the meeting please come to order.

Mr. MILLAR: Before we start work this morning, Mr. Chairman, I am going to make a suggestion, in connection with some points that were raised yesterday. I understand the Department of Trade and Commerce have had some correspondence with regard to cargoes that arrived there off colour, and also that they have had some information regarding the milling, the milling values of wheat. That was raised yesterday. I am going to suggest that as Chairman, you request that that correspondence be brought down and laid on the table, for the benefit of the members of this Committee. I think also, at the same time, that it might be well to have the report of the Board of Grain Commissioners laid on the table. They are required from time to time, to report to the Department of Trade and Commerce, and I think if we had their report here it might be well.

The CHAIRMAN: Is it the pleasure of the Committee that I should ask for the information suggested by Mr. Millar?

Mr. SALES: I think it is good, Mr. Chairman.

The CHAIRMAN: As far as the reports of the Grain Commission go, I think they can be procured from the Printing Department. I will see if I can get some copies from the printer.

Mr. HUGH NORTHCOTE BAIRD, called, sworn and examined.

*By the Chairman:*

Q. Mr. Baird, will you kindly tell the Committee whom you represent?—A. Well, I understood, Mr. Chairman, that I was asked to-day to explain a charge or reflection arising from the evidence that I submitted in Regina, brought up by Mr. Sales yesterday. I am not representing any particular interest, Mr. Chairman. It is just answering a statement made by Mr. Sales yesterday, and I think, perhaps, out of fairness to myself, Mr. Sales might read it and just advise me from where it came.

*By Mr. Sales:*

Q. This was in Regina, in connection with the trial of Mr. Quigley, a grain firm which failed. Mr. Thompson's evidence is quoted and also your own, and in regard to the practice of pledging your customers' bills on which nothing is owing, the question was asked, "Is that a common practice of the trade?" Mr. Thompson replied, "As far as I know it is. It has always been the custom of my firm and I am reasonably sure that it is done by most firms in the business." He was then asked, "You mean that it is your plan to take your customers' bills and borrow money on them for yourself?" And he answered, "Not for my personal use, but for the business. It is a general practice among grain men to pledge bills on which nothing is owing." Then, apparently you were on the stand. "Mr. Baird said, 'We consider that we are privileged to pledge any securities in our possession to meet exigencies.'" So that I take it from that statement, Mr. Baird, that you come here saying that that is a general practice among grain men, to pledge bills on which nothing is owing?—A. That is one of the Regina papers, is it, Mr. Sales?

[Mr. Hugh Baird.]

Q. Yes?—A. Yes, sir.

Q. This is dated April 21.—A. Well, Mr. Chairman, and gentlemen, I was in Regina I think just about a week ago to-day, having been subpoenaed by the Crown to give evidence in this Quigley trial. I may say first that as far as any statement by Mr. Thompson is concerned, I did not hear him give his evidence. I was not in the court house, and I most decidedly must stand by my evidence as given in Regina. But I do not think, sir, that it is entirely complete as it has been printed. Perhaps I might first state just exactly the nature of the subpoena. I think Mr. Quigley's firm got into trouble or became involved financially about the early days of January, and I have one subpoena and then I had a communication from Mr. Samson of the Crown that the case had been postponed. A further subpoena came which necessitated my appearing there last Wednesday morning. It was Thursday that I gave my evidence, just a week ago to-day. Mr. Samson requested me—Mr. Samson, I may say, was acting for the Crown—to bring all vouchers, papers, drafts—everything; in other words, the entire history of all cars that came into our possession from Quigley and how they came into our possession. I brought with me and submitted to Mr. Samson as he will undoubtedly confirm, every single, solitary document in connection with the entire history of each car that Quigley had sent to us. Mr. Samson very clearly defined in his evidence, or in his cross-examination, that as far as my firm was concerned, Baird & Botteral, we knew nothing of the transactions that took place in any shape, manner or form between Mr. Quigley and the farmer. Mr. Quigley, as far as my firm was concerned, was a member of the Winnipeg Grain Exchange, and not in one single instance did any one bill of lading come into our possession from Mr. Quigley unless it was attached to a draft and payment made by us in Winnipeg. As proof of that I furnished every draft for every bill in every car that the Crown Attorney questioned me on. And I may say, sir, that I brought with me every draft for every bill of lading for every car that we received from Mr. Quigley right from the beginning of the crop season until the time when he became financially in trouble, and not in one single instance, as my evidence in Regina will prove, did we receive one single bill of lading without the payment of a draft in Winnipeg. In giving my evidence in Regina, I stated that my firm were in the brokerage business as well as commission merchants, but that the commission end of my business—what I mean by that is the receiving of cars from the country—was the small branch of our business.

*By Mr. Robb:*

Q. Mr. Baird, before you get away from that point, do we understand that Mr. Quigley's firm made a draft on you with bill of lading attached?—A. Yes, sir, for every bill of lading.

Q. And unless you picked up those drafts the grain would be tied up?—A. I had to pay them; he drew on me for a full advance, such as the market would stand, on the day that the draft was made in every instance—not one exception.

*By Mr. Sales:*

Q. Would these be cars of grain selling to you, Mr. Baird?—A. No, sir; in no one instance did I buy a car of grain from him.

Q. Just describe them, what were they?—A. As I understand it, I do not know whether Quigley bought the grain or whether Quigley was handling the grain for farmers in the country, but I assume, Mr. Sales, that in most cases they were bills of lading that the farmers gave Mr. Quigley, and on which he gave to them from time to time advances, and on which he drew on me with the bill of lading attached.

Q. For the full amount?—A. Well, not for the full amount: At times as it came out in the evidence, for amounts greater than he gave the farmer, but so long as my equity, when the draft was presented to me, was satisfactory to me, that was all I knew about the transaction. Perhaps I might be allowed to answer the questions afterwards.

[Mr. Hugh Baird.]



The CHAIRMAN: I think that would be better.

The WITNESS: In my evidence, Mr. Sales, Mr. Samson asked me what business I did. My reply was that we were in the brokerage business and the commission merchant business, and it was the small branch of my business. I may say that we do business for millers and exporters, in Winnipeg and all through American markets, and in foreign markets, and I was not speaking in any way whatsoever for any branch of the trade but my own. I would like again to repeat, to try to be clear, that you will please understand that not one of these cars came direct to us from a farmer. Every single bill of lading came to us from Messrs. Quigley & Company by draft with bill of lading attached. Now, sir, on the point that you have laid special stress on, about the hypothecating of these documents, as far as the hypothecating bills of lading on which we have made advances is concerned, such bills of lading would be placed in our general account, in our general current loan account, when necessary. What I mean by that is this, sir: a draft from Quigley would come in and would be presented to us with bills of lading attached. In the daily operation of our business it was quite likely that we would have money idle in the bank. We had no trust account, no special account; we simply had a general account, and as these bills of lading of Mr. Quigley's would come into us we would pay those drafts and these bills of lading would only, as I say, be lodged or placed in our general loan account when necessary. As I stated, some days in the operation of our business it would be necessary to borrow money; other days we would have money idle in the bank, having only one general current account—not in any way at any time financing our business on farmers' bills of lading. Now, should we receive any bills of lading against which no advance was made, I cannot, sir, recall one single instance where any bill of lading came into our possession without an advance. As far as this newspaper report that you have quoted, Mr. Sales, is concerned, not one single bill of lading that that evidence is based on, sir, came into the possession of Baird & Botteral without a draft, which Mr. Samson, your Crown Prosecutor, will confirm. I again repeat that any bills of lading that come into us, if they ever do come, sir—and I cannot think of one single instance—such bills of lading are not lodged in our general loan account. The only interest we have in such bills of lading is to accept instructions from the owner of that grain when such grain is to be sold. Now, I may say, Mr. Sales, that since I came East, sir, I repeat that I was in Regina on Thursday and gave my evidence; I left Regina on Thursday night, spent Friday in Winnipeg and left for Ottawa on Saturday morning. I have learned since I came here that the trade in Winnipeg have taken exception, just exactly as you have done, sir, and on my evidence as submitted in Regina, to the inference that is created by my evidence in Regina, they have taken exception just the same as you have, and all I can say is that I greatly regret this situation and will do anything I can to clear it up. I must stand by my evidence, as submitted in Regina, and I must try to make that evidence clear; and I wish to say, sir, that I do not want to go back on anything I said, but I was in the witness box I think for some two hours answering a good many questions one way and another, and if I created any wrong impression or made any wrong statement it was without any intention, and, as I stated, I will do anything I can to clear it up. I think that pretty well covers what you stated here yesterday.

*By Mr. Sales:*

Q. With this exception, Mr. Baird: Is this true or is it not true?—Because you may be misquoted by the press; I readily recognize that that happens to a great many of us.—A. I may say, Mr. Sales, before you go further, sir, that since I left Regina I have not seen or questioned any particle of evidence in connection with what I might have stated. I did not hear Mr. Thompson, and I left Regina on Thursday night, and I do not think the trial was finished until Saturday.

Q. This is applicable to yourself: "Mr. Baird said"—and I want to know whether this is true or not; you will know—"We consider that we are privileged to pledge

[Mr. Hugh Baird.]



any securities in our possession to meet exigencies"—any securities?—A. I may say that as far as that word "exigencies" is concerned, it never came out of my lips; it came out of Mr. Samson's. But, sir, I will say this, that if that is the way that reads, then it is not the way that the question came to me.

Q. Then this is not true?—A. I did not say, this is not true, sir; I cannot go behind my evidence.

Q. Well, then is it true?—A. Just repeat it again, please.

Q. "We consider that we are privileged to pledge any securities in our possession to meet exigencies."—A. No, sir.

Q. You did not say that?—A. I do not know how that question was put to me exactly, but the point I make is this, that I have no liberties, and well know that I have no liberties, on any documents that come into my possession without advance, but if I advance against bills of lading I think I have privileges; I think it is my right.

Q. That is not the question; we recognize that.—A. I do not want to evade anything, Mr. Sales.

Q. We recognize that if you loan money on the car, the farmer assigns that bill to you, and we recognize your right to use that for the money you have loaned, and to pay the freight, and so on; but it is this other thing, in which Mr. Thompson says it is a general practice amongst grain men to pledge bills on which nothing is owing, and then your statement follows.—A. No, no, sir; I did not hear Mr. Thompson, as I stated; I did not hear Mr. Thompson at all.

Q. I am not bothering about Mr. Thompson's statement; I am only bothering with your own statement as to the truth of this report.—A. Well, I do not know whether I got the question right or not, but certainly—

Q. Well, I place it in your answer.—A. I do not need that, sir; I accept that there as being correct, but I am placed in the position that I made a statement in Regina on oath and I am in the same position here, and I cannot go back on my evidence, and I have not seen one word of it since, as I stated.

Mr. SEXSMITH: Mr. Chairman, what was the question that provoked that answer? What was the question that this gentleman was asked on the witness stand?

Mr. SALES: It does not give the question. You mean, what was the question from the Crown Attorney which secured this statement from Mr. Baird?

Mr. SEXSMITH: Yes.

*By Mr. Sales:*

Q. Do you remember that question, Mr. Baird?—A. No, sir; I cannot remember it.

Mr. SALES: We can get it from the evidence alright.

Mr. MORIN: It is possible that they were then referring only to bills of lading on which advances had been made, and that the gentleman made this answer referring to those.

Mr. SALES: But then there is this point, that it says "To pledge any securities." "Any securities" means those on which advances have been made and those on which advances have not been made.

Mr. MORIN: If the witness was cross-examined only on those bills of lading on which advances had already been made—

Mr. SALES: Then there would have been no objection.

Mr. BROWN: Why should Mr. Baird, irrespective of anything that may have taken place at Regina, not give a straight answer as to the attitude in regard to the cars on which no advances have been made? I would suggest that Mr. Baird give us an answer here.

[Mr. Hugh Baird.]

The WITNESS: I have stated, sir, that on bills of lading, should any bills of lading come into our possession without any advance being made, such bills of lading are not put in our general loan account. If this evidence is not entirely correct, my idea is to evade nothing, and to make it absolutely clear.

*By Mr. Sales:*

Q. I accept your statement, but if this is correct, you still consider that you are privileged to do that if it is necessary?—A. It is only with bills of lading that I have paid money to get in my possession.

Mr. MORRISON: Mr. Chairman, I would like to ask a question.

*By Mr. Morrison:*

Q. Do you consider it a privilege to use those bills of lading?—A. I do not think so, no.

Q. Do you think that other firms on the exchange are doing it?—A. I stated in my evidence that I thought to some extent it was a practice. Mr. Samson asked me if I could name any firms and I mentioned Thompson, Sons & Company, and Mr. Thompson gave his own evidence, and I never heard him give it; I do not know what he stated. I again repeat that I was not speaking for the millers, the exporters, the elevator people; the evidence as it was submitted, as it has been printed, has had exception taken to it by the trade in Winnipeg.

Mr. MILLAR: I think this matter has been pretty well cleared up. I think Mr. Baird has been very frank about it. When he stated that he had been in the witness box for two hours, he touched a rather responsive chord in me; I remember one time Dr. Magill had me for about two hours, and by that time I was ready to say any old fool thing. I would just like to ask a question as a matter of information. You said that Mr. Quigley was a member of the Grain Exchange at that time. I was just wondering what action the Grain Exchange would take, or whether they would take any action, because of Mr. Quigley's defalcations and irregularities.

Dr. MAGILL: He ceased to be a member?

Mr. MILLER: Yes, he ceased to be a member; did he cease to be a member by the action of the Exchange or by his own action?

Dr. MAGILL: I think it was both as far as I recall it.

Mr. MILLER: What I wanted to get at was, in case it did not come about by his own action, what action would the Grain Exchange take?

Dr. MAGILL: The Grain Exchange would take action immediately, as far as my experience goes.

Mr. MILLER: To expel?

Dr. MAGILL: Absolutely.

Mr. SALES: Mr. Chairman, might I be permitted to ask just one question, not on the stand?

The CHAIRMAN: I would suggest that we release Mr. Baird.

Mr. SALES: Just on that point, Dr. Magill, will the Grain Exchange take steps in regard to the Thompson firm?

Dr. MAGILL: I understand that the Grain Exchange have the matter already in hand; what they have done I do not know.

Mr. SALES: Would it be of importance to the producers of grain to know that the Grain Exchange are not favourable to that?

Dr. MAGILL: There are three men here who are members of the Grain Exchange, Mr. R. D. Evans, Mr. Godfrey, and Mr. Leaman. Mr. Edmonds apparently gave evidence on the matter, and perhaps one or two other points. We have here Mr. Godfrey and Mr. Leaman, Mr. Leaman is president of the Grain Exchange.

The CHAIRMAN: Is it the pleasure of the Committee to hear Mr. R. D. Evans?  
[Mr. Hugh Baird.]

Mr. R. EVANS, called, sworn, and examined.

The CHAIRMAN: Kindly state to the Committee your connection with the grain business.

Mr. EVANS: I am connected with the operation of a line of country elevators. We also do a commission business as a branch of the country elevator business, handling grain at interior points. I had no intention of coming before this Committee. I did not conceive the necessity of doing so in view of the fact that the country elevators had been recognized as a very essential factor in connection with the operations of the Wheat Board. But since this question of the hypothecation of documents has arisen, I have felt called upon, in justice to the company I represent, to come before this Committee and say emphatically that in so far as our company is concerned we do not and have not at any time hypothecated any bills of lading or any document on which no advance has been made, and that I do not believe it is right or just that it should be done. I might further say that in so far as we are concerned, we have never hypothecated a bill of lading or other document even where an advance has been made, because it has not been necessary. I just desire to state my own personal opinion on the matter. I cannot believe that it is the practice of the members of the Winnipeg Grain Exchange to do that. That is my personal and candid opinion. I know a number of the members of the Exchange and also a great deal about their business methods, having done business with them, and I do not believe it is the practice. There are also one or two other points I would like to take up while I am before you, although they are not in reality arguments for or against the Wheat Board. These points have, however, arisen out of questions I have heard asked while I have been in attendance at the meetings of this Committee. Mr. Watts in his evidence referred in very derogatory terms to the members of the Exchange who are engaged in the making of street prices in the country. I thought it might be desirable to explain that situation and also to show why there might appear at times to be a very wide spread between what he terms street and track. I take exception to that evidence because no such condition exists. It is unfortunate from the standpoint of an elevator operator that the necessity arises during some years for such a condition, which is brought about by premiums such as we have had this year. It is an abnormal condition, and one which has not been usual in the past in other than the war years. In determining the price to be paid on street at country points, there are a number of factors to be taken into consideration. Mr. Watts in giving his evidence practically answered his own questions in one way, and made the assertion that it was robbery that there were spreads taken at 25 cents to 42 cents. In another portion of his own evidence in referring to a bulletin, he said that one of the outstanding features of the wheat was a thickening in the cash prices of 30 cents a bushel. Is it conceivable that an elevator company buying street wheat in the country could buy on the basis of a price liable to thicken 30 cents a bushel in a week? It is quite conceivable, in looking at spot prices at certain times where premiums exist, and comparing them with the prices at street in the country, that there might be a wide spread, but I want to call your attention to some figures I have had prepared showing the relative difference in prices in the Fall of 1921. These figures are based on an average. We must of necessity deal with averages. The average covers periods of two weeks. From August 16 to August 31 the average price paid for No. 1 Northern Wheat at country points plus freight to the lake front equals \$1.53½ in storage at the lake front. The October average price for that same year was \$1.40. There was a premium of 37 cents a bushel over October for cash No. 1 Northern Wheat for storage at the lake front during that period. There might possibly be a variation of 1⁄16 or 1⁄8 of a cent in dropping a fraction here and there, but we have tried to get the correct average as far as possible. The track price at that time was not equal to the spot price. It was at a premium of 15½ cents over October. Based on the track price, the street buying margin was 2

[Mr. R. Evans.]



cents a bushel during that period of time. From September 1 to September 15 the average price of October wheat was \$1.43 $\frac{1}{2}$ . The premium for No. 1 Northern Wheat in storage at the lake front was 11 $\frac{1}{2}$  cents. The track premium for No. 1 Northern Wheat was 4 cents over October. The buying margin based on track at country points was 4 $\frac{1}{2}$  cents.

I mentioned that there were certain factors that must be taken into consideration in determining the price to be paid for street wheat at country points. One of the very important factors in that connection is, first, to determine the period of time that must necessarily elapse before street wheat can become spot wheat in storage at the lake front. The next matter to be taken into consideration is what is the value then of the wheat at the lake front, having regard to the period of time required to get it there. The next factor is the question of car supply, which naturally has its bearing on the length of time it will take to get it there. In dealing with this, we cannot take the situation at any one point. A gentleman asked a question yesterday with respect to the condition at one particular point, as to why it was that where there were plenty of cars and as long as there were plenty of cars, the same price could not be paid for street wheat as for track wheat. I do not know what time of the year he was referring to, but in any event, an elevator operator cannot deal with the situation existing at one particular point; he must deal with the question of average. I know—and I think everyone else that knows anything about the car situation knows—that there might be plenty of cars at one point and no cars procurable or available for weeks at dozens of other points. To that extent the question is one of average. These figures I am going to quote apply only to our own business. I do not know what the experience of others has been, but I do not believe the experience of one is very much different from that of the rest in that respect. As to the period of time, I find that the wheat we purchased up to the end of the 15th August did not reach the lake front until the 15th September. The wheat purchased from September 1 to September 15 did not reach the lake front until the middle of October, again a period of 30 days. The wheat purchased on street at country points prior to the end of September 30 did not reach the lake front until the 31st October: that is the end of the period of time that it required to reach there. Wheat purchased up to the end of October 31 did not reach the lake front until the 31st December. So it is shown that from the beginning the accumulation is gradual but sure, and the farther you go into the crop the greater the accumulation and the greater the period of time required to get it out. A reference has been made to the position of the elevator operator as regards the car supply in respect to purchased grain. Under a provision of the Grain Act an elevator operator is entitled to put his name on the car order book for one car in turn with any and every other applicant that desires a car. There are many stations where at certain times of the year there may be 100 names on a car order book with an elevator company that has one car out of that number to ship purchased grain. So that the man in the country who has grain to be sold on the street does not have a very good opportunity to be taken care of by the elevator operator in the question of car supply. That is what creates the gradual increase in the amount of purchased grain held in the country. I have heard it mentioned many times: "Well, just so much grain comes out of the country in accordance with the car supply." That is true, but the man buying on the street must anticipate at what price he can sell his grain when he is able to get it in a position to be sold other than by protecting himself in the sale of the option for delivery at some time in the distant future. I mentioned that from August 16 to August 31 the street list price showed a margin only of two cents a bushel. It was not conceivable that the grain at that particular time of the year would not reach the lake front, but the nearest hedge position that the elevator operator had was the October option, and he was buying wheat on the street in the country at a premium or a cost of 13 $\frac{1}{2}$  cents a bushel over what he was paying for it or able to sell it for.

[Mr. R. Evans.]

Mr. SALES: Would you explain how you could do that?

*By Hon. Mr. Robb:*

Q. Do you mean buying it at less than he could sell it for?—A. No; we were at that particular time on the basis of the street list price hedging wheat for delivery in October. The wheat that we were buying was costing us  $13\frac{1}{2}$  cents a bushel more than we were hedging it for. Why we could do it is because we felt confident and practically knew that prior to October we would be able to get the wheat to the lake front, and we had to anticipate that at least sufficient of these premiums that were then effective would remain to enable us to get back our cost. Does that explain the situation?

Mr. SALES: That is quite plain to me.

WITNESS: I do not know that it is necessary to go into these figures any further. I think I have quoted sufficiently from them to give you a general idea of the position that the country elevator operator is in, and the matter may be further covered by questions if any member desires to ask them.

*By Mr. McConica:*

Q. You hedge against street wheat just the same as carload wheat, do you not? You get a report every day of the amount that is bought on the street and you hedge against it, as I understand it?—A. Yes. The hedging of street wheat is carried on concurrently with the hedging of any other grain that may come into our possession.

*By Mr. Millar:*

Q. I think the representatives of the Grain Exchange who have appeared before this Committee have given straightforward evidence except when they are confronted with a question which they cannot answer, and then they appear to exhibit considerable cleverness in carrying us along until we are in the clouds, so to speak. The fact that this wheat you have been speaking of sometimes cannot be delivered in Fort William for a month or a month and a half or two months has absolutely no bearing on the question, because the wheat that has been bought by the carload and will be put on the track is in exactly the same position as the street wheat. They are both bought at the same time. Two farmers come up to the elevator at the same time. Neither one has sold his wheat. One has sufficient to make up a carload and receives at least five cents, and often times ten cents and fifteen cents more than the man with only a load. If it was at a time when there was a car shortage there would be good reason for it, but when there is no car shortage and the grain goes into the same bin?—A. I would not say the grain goes into the same bin.

Q. I know in many cases it has. Both can be loaded the next day if the operator so desires. When the first freight comes along he can get a car. He knows that, and yet he pays five cents, six cents, seven cents, eight cents, ten cents and fifteen cents more for one than for the other. Many of these figures you have given us have absolutely nothing to do with the matter. Perhaps you will not deny that?—A. I may, when you get through.

Q. Just confine yourself to this point. The grain, whether carload or wagon-load, can be hedged against in the same way, and in some cases both do or can go into the same bin and both can be loaded into the same car. I think the reason is partly that the country elevators are nearly all running at a loss because there are too many of them. They are handling only about 40,000 bushels as against 110,000 or 115,000 or 120,000 bushels years ago, and part of this loss is made up by buying the street wheat for less than they could buy it for. That is the explanation I have arrived at myself, in part?—A. That is partially correct, that the elevator companies are in about the same position as the farmers, all struggling for a living and trying to make a profit, but your answer to your own question did not answer it in

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its entirety or to my satisfaction. You stated that the wheat of the man with a carload and the wheat of the man with less than a carload would be put into the same bin. I take exception to that statement. In the first place, if the man has a carload of wheat his car is full, and if the man has a load of wheat the elevator operator may not have a carload of that grade of grain, and consequently, even if there were a dozen cars there, he is not in a position to complete a carload. We have to assume first that he has sufficient of that grade of grain to fill a car. You then stated that the elevator operator can hedge the grain in the elevator in the same way as he can sell or hedge the wheat on the track. I say he cannot, because there are bids on the market from day to day making the closing quotation of track wheat, and you can sell it to the buyer in the market when it is loaded on track. If, however, you tried to sell wheat that is in storage in the elevator, you are up against a different proposition, and you have not the same hedge.

*By Mr. Millar:*

Q. Both are in storage, and do oftentimes go into the same bin and are put on the track in the same car. I speak of times when wheat is flowing freely and the elevator man has all grades of wheat and is loading cars every day?—A. I mentioned a time when cars were apparently plentiful, August 16 to August 31, and indicated that they were buying on a margin of two cents a bushel, which gradually widened out as the elevator operator ascertained that the general accumulation was gradually backing up on him. I was going to say that this is not an unusual situation in so far as these figures are concerned, but I will say it is an unusual situation because it applies principally to location on the Canadian National road, and previous to this year there never was a time when there was a proper car supply. This past year it is presumed that there were plenty of cars all the time to take care of the general loading. Perhaps there may have been plenty of cars. Perhaps the cars supplied were all the railway could take care of over their tracks. The elevator operator that had purchased wheat in the elevator was in the position whereby, by virtue of only one car coming to him out of the general car order book list, he was kept back to the extent indicated by me in connection with our own figures.

*By Mr. Sales:*

Q. I do not think you are creating a fair impression on the minds of the members of this Committee. The car order book, in my experience—and I have lived on the lines where you have the long list—never comes into effect until there is a blockade. Furthermore, it is not true that there is only one car supplied to the elevator, because if I load my wheat through your elevator I order a car to be placed at your elevator, and you get a lot of cars in that way. It is not the case that only one car out of 100 cars is supplied to the elevator?—A. It is true to this extent, that that is the condition we are placed in by the law. I have heard that there are many infractions of the Grain Act, in so far as the car situation is concerned.

Q. But the car order book does not come into effect until there is a blockade, as a rule?—A. I would say it does. I think the car order book comes into effect in this way: There are various elevators at the stations. Some agent who wants to put it over the other fellow a little bit if he can, will get a list of names of farmers whom he thinks will handle that grain through his elevator. He will try to get the farmer to appoint some one as agent to put his name on the car order book, and I know—and I think you are quite familiar with this fact—that one man will slip over to the car order book and place on it as many as twenty-five or thirty names for his elevator, and the other elevators have none.

*By Mr. Evans:*

Q. You stated you were only making two cents a bushel margin during those two weeks from the 16th August to the 31st August. You were not expecting much

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street wheat at that time, were you?—A. No; nor were we, even up to the middle of September.

*By Mr. Brown:*

Q. Coming back to the point referred to by Mr. Millar, let us, instead of discussing generalities, take two or three specific cases in order to enable you to furnish an explanation to this Committee. Only the day before yesterday one of our Progressive members from the West—he is not a member of this Committee—told me that his firm had taken two loads of wheat into the town of Deloraine. I think it was No. 2 wheat. The price for that wheat was \$1.12, and if I remember the gentleman's figures correctly the Fort William price at the time was \$1.47. Then there is a freight rate of 22 cents a hundred from Deloraine, which would work out at about 15 cents a bushel. The difference between the street price and the Fort William price is 35 cents, and deducting the freight of fifteen cents per bushel, it leaves a margin of 20 cents a bushel for those two loads of street wheat?—A. I can answer that question by stating that I do not believe such conditions existed, and no one can make me believe they existed unless they present the facts and figures.

Q. That is the difficulty to be met by this Committee when questioning members of the Grain Exchange. I am not quite prepared to concur in what Mr. Millar said to the effect that when members of the Exchange are confronted with facts, those facts are denied. This is a fact of which I think I have absolutely conclusive proof. The gentleman's name is Mr. James Steedsman.

MR. STEEDSMAN: I have in my hand a letter containing the evidence, if you desire to see it.

WITNESS: I would like to have a little time. I am not in Deloraine and do not know the situation with respect to any one particular point.

*By Mr. Brown:*

Q. Like Mr. Evans, I am somewhat interested in trying to make the elevator pay. I am able to look at this matter not only from the standpoint of the farmer who raises grain, which is my chief interest, but also from the standpoint of the country elevator operator. I know that the rates allowed by the Board of Grain commissioners for the handling of storage bin grain are not sufficient to enable an elevator operator to run his elevator at a profit. There have been attempts to get an increase by the Board of Grain Commissioners. That increase has been allowed, and I believe the Saskatchewan Co-operative Elevator Company has taken advantage of it. We have not. Those attempts have been resisted by line elevator companies, and they have taken the stand that while they cannot handle special bin grain at 1½ cents they have a right to make another department of their business pay the loss that is incurred in one department of their business. The effect of that is that the poor man who has a few loads of street grain to sell is penalized. Take another case: I believe you were president of the Northwest Grain Dealers' Association in the latter half of the year 1920?—A. No, sir.

Q. That is the information I have received?—A. It is incorrect.

Q. During that time the street prices for grain were from \$1.39 to \$1.40 as sent out by the Northwest Grain Dealers' Association. That fact will probably stand irrespective of who was president of that institution at that time?—A. What time did that occur?

Q. The first four days of December, 1920, the street prices for grain were \$1.39 to \$1.40 and at the same time the Fort William price was \$2 a bushel. Allowing for a freight rate of 20 cents a bushel from Saskatchewan points there still remains a spread of 40 cents to be accounted for. How would you justify such a spread as that?—A. That no doubt would be based upon the same conditions as existed at the commencement of this year on a premium basis. There was a particular demand for spot wheat in storage at the lake front, and the country buying would be based on

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the value of the wheat estimated on the nearest possible time in which the grain could reach the lake front. I concur very largely in what you have stated in regard to the handling of charges. They have not been large enough to pay the expense of handling the business through the elevator. That has been discussed for a good many years, at least three or four years. Under the Wheat Board many of the companies felt that the handling charges were not enough, and I do not think there is a single elevator company that believes they were enough. The farmers' company you mentioned having previously made the statement that if they had greater handling charges they would be able to pay two cents a bushel more on the street, the increase in rates was put into effect.

*By Mr. Evans:*

Q. Which they did?—A. And which they put into effect.

*By Mr. Brown:*

Q. Coming back to the situation in the beginning of 1920, it seems to me to be the fact that the Northwest Grain Dealers' Association became ashamed of themselves when they saw the wide spread, and within a few days they closed up that spread five cents?—A. Conditions may have changed; undoubtedly they did. I cannot say what occurred at that time.

*By Hon. Mr. Motherwell:*

Q. Do your company charge the maximum price set by the Board of Grain Commissioners?—A. No.

Q. Do any of the line elevators?—A. I do not know.

Q. Is the complaint that you are not charging enough?—A. When the application for this increase in rates was made before the Board of Grain Commissioners at the beginning of this year, a representative of our company seconded the motion made by the Saskatchewan Co-operative, which shows our position in the matter.

*By Mr. Sales:*

Q. I was going to refer to that and ask you why, when the Board of Grain Commissioners did increase that price from  $1\frac{3}{4}$  cents to  $2\frac{1}{2}$  cents—these companies have been on record for many years that  $1\frac{3}{4}$  cents a bushel for handling special bin grain was not sufficient—your company did not raise it to  $2\frac{1}{2}$  cents?—A. In accordance with the Grain Act, each company is obliged to maintain similar charges at every point at which they operate. We have a great many points where we have other competition. We have not the advantage of having shareholders of our company located at these points. We therefore found it necessary to meet the competitive condition that confronted us in order to do business.

Q. You admit that you are carrying on a business there which must result in a loss, and that that loss must be recouped from the small farmer who sells in the street?—A. I do not think there is any denying that fact.

*By Hon. Mr. Robb:*

Q. How do the storage rates compare now with the rates allowed under the Wheat Board? You made a reference to the rates under the Wheat Board not being sufficient?—A. I do not think I mentioned those rates. If I did, I did not intend to mention storage rates, I was speaking of handling charges. The storage rates to-day are identical with the storage rates at the time of the Wheat Board. There has been no change except in the handling rates of the Co-operative Company, and perhaps some others that may have advanced their charges.

Q. Are you declaring now under oath that the storage rates and handling charges were the same under the Wheat Board as they are to-day?—A. Well, there is the difference between the manner in which the storage of grain was handled by the Wheat

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Board and now. The Wheat Board, if I remember correctly, allowed the elevator companies a storage charge from the time the grain was taken into storage until it reached the lake front, that is on the purchased grain. I think the charge identical with the charges that are in effect to-day and were in effect previous to that. It is a matter of record.

*By Mr. Evans:*

Q. But there was no complaint? The elevator operators were not complaining under the Wheat Board?—A. No, they were not. I do not remember the exact details about that, but I think the charges were identical, or practically so; there may have been some little variation.

*By Mr. Sales:*

Q. You referred in the beginning of your evidence to the hypothecation of bills of lading or any other documents?—A. Yes.

Q. I presume that if I shipped a car of wheat to you and ordered it to be held, and did not take any advance on it, all the documents then would be held?—A. Yes.

Q. Would the warehouse receipt for my particular car be retained in your possession until I ordered it to be sold?—A. Yes, sir.

*By Hon. Mr. Motherwell:*

Q. Referring to the question put to you by Mr. Millar with regard to track wheat and street wheat going into the same bin, that practice is observed always if they are both graded wheat?—A. Yes.

Q. If the track wheat goes in as graded wheat and the street wheat goes in as graded wheat, they go into the same bin?—A. Yes.

Q. There is nothing irregular about that?—A. Oh, no.

*By Mr. Sales:*

Q. What happens when you handle grain subject to inspector's grade and dockage?—A. The real import of that arose out of the question of it being almost impracticable to handle special bin grain in a number of smaller elevators, but there is any amount of grain goes into an elevator subject to inspector's grade and dockage. That is to say, when the grain is taken in, it is not graded, but if the identity of that grain is not preserved, it is possible to send an average sample to the inspector and secure a grade. Thus the elevator operator is enabled to utilize his storage capacity by mixing that grain with other similar grain after being graded.

Q. But there is a lot of that grain taken in on that ticket without being graded?—A. Yes.

Q. Then the only protection afforded the farmer is to take a sample from his wagonload and place it in one of the tin receptacles?—A. Yes.

Q. And you insist on your men doing that all the time in taking this wheat?—A. Yes.

Q. But the grain is mixed with your own grain?—A. No, it is not.

Q. At times?—A. At times it may be; it depends entirely on how rapidly the one who owns the carload can supply a car and ship his grain.

*By Mr. Morrison:*

Q. You made the statement that the elevators were only getting one car at points where there were one hundred cars on the car order book. Before the car order book came into use was not the spread between track and street just as wide as after it came into use?—A. What do you mean by "when the car order book came into use"?

Q. I understood you to say that one of the reasons for the big spread between the street and track wheat was because you could not get enough cars?—A. I was not in business in Canada before the car order book came into use.

[Mr. Hugh Baird.]



Q. But the car order book came into use because of this wide spread, and to enable the farmer to get actual value of his wheat? When the elevator gets a car-load it gets practically as many cars to-day as it did before?—A. I do not think so. As an elevator, they get as many cars, but not for purchased wheat.

Q. The car order book has not been in use at the point where I live since sometime before the war started?—A. That may be quite true.

Q. You stated a while ago that there were cars at some points and not at others, and that that was one of the reasons for this big spread and you have to make an average. Does that not show the weakness of this system of marketing? Is it not a poor system of marketing which will not permit a farmer to get the actual value of his wheat? The railroads are handicapped by this system as well as the farmers. They are competing to get the business, and shoving the cars to competing points and causing the farmers living at non-competitive points to pay for the others?—A. I would think you were establishing a system that works on the average by taking from one favourably situated and passing it on to the others. I think the Wheat Board was a question of averages throughout.

*By Mr. Brown:*

Q. Some of us think it is a fact that the grain men are making use of a theoretical objection in regard to that car order book and pressing it for far more than it is really worth in the practical working out of the system?—A. No, I do not think that is a fact at all. I think there are times at the beginning of every crop year—perhaps not the first two or three weeks' movement of the crop—when there is very great difficulty in getting the cars at a time when they are required. I do not know what experiences others have had. I know there are points in the country where there are no car order books. There are many sidings where there are no car order books, but it is pretty difficult to get cars into those sidings. There is no railway agent and no car order book at many of the stations.

*By Mr. Millar:*

Q. What Mr. Sales has said is absolutely correct. The law provides that the car order book shall be used only when there are not sufficient cars to go round. At the point I represent, and many points of which I know, the car order book has not been used for years. When it is used, this annually occurs: The elevator man goes among the farmers that have no wheat to ship and asks them for orders for cars to be placed at his elevator, or perhaps he may go among the farmers before the grain is shipped and ask them for orders for cars. He will say, for instance, "Mr. Brown, will you give me an order for a car for yourself to be placed at my elevator?" and he takes that order over to the station and secures a car in Mr. Brown's name. Later on he buys Mr. Brown's wheat direct. Mr. Brown does not need the car, and the elevator man gets it. In addition to that, I have seen on the car order book the names of men who have been dead for two, three, four or five years. The elevator operators will have numerous orders for cars from farmers to be placed at their particular elevator, and they are used for the elevator wheat. During the last few years what Mr. Evans has stated may be true with regard to some of the outlying points, some branch lines, but in the main it does not apply?—A. I am only speaking in the average. I quite concur with respect to what you say in regard to the car order book and the manner in which it is handled. I have heard that that is the way in which it has been handled in a great many instances. I suspected it myself at times, at certain points where we happened to be not so well situated.

*By Hon. Mr. Motherwell:*

Q. I suppose if you are situated on Canadian National lines your experience a great deal of car shortage, but not on the other lines?—A. I think the Canadian National lines did as well as the others during the past year. There is no doubt there

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are infractions of the car order book, but the Government have a Board of Grain Commissioners to look into the question of infractions of the Grain Act. I do not know whether the car order book comes under their supervision or not.

Dr. MAGILL: What section of the Canada Grain Act indicates that the car order book is only available during a blockade? Might I also ask whether the increase in handling charges referred to was approved by the Governor in Council?

Mr. SALES: Are you asking me that?

Dr. MAGILL: I am asking the Chairman. My information is that the increase recommended by the Board of Grain Commissioners was not approved by the Governor in Council, and I cannot at the moment find the section of the Grain Act that states that the car order book is to be brought into use only when there is a blockade.

*By Mr. Morrison:*

Q. The car order book can be brought into use at the request of one man?—A. Exactly; that is what I stated.

*By Mr. Sales:*

Q. You have an elevator at Langham, Saskatchewan?—A. Yes.

Q. We nearly always had a good supply of cars in the yard before we started to thresh, and nobody bothered about the car order book, and as long as they were coming along fairly well—and this is not one year's experience, but for years and years—not one of the farmers bothered about the car order book at all. But when there is a prospect of a blockade and cars are getting short, somebody puts in an application to the agent for the car order book to be placed in effect, and I have seen a hundred names placed on it within two or three days. As far as the increase in the handling charges for special bin grain is concerned, I think Dr. Magill is correct. I do not think the increase was approved by Order in Council.

Mr. MILLAR: Perhaps I had better reply to the Doctor's question. It may be that the clause I am thinking of may have been repealed, but I remember distinctly that there was such a clause reading something like this: 'When there is a shortage of cars the car order book shall be kept . . . .' I am sure that clause was in the Act at one time.

The WITNESS: When the members of the Committee commenced to question me I was just about to make a statement which had some bearing on the matter of the car supply. The year 1920 was mentioned. During that year when cars were not obtainable on the Canadian National Road there was a difference in the price paid for street wheat on the two roads, which in itself shows that the car supply does have some bearing on the street price, and I think it would be very material if the country elevators were enabled to get their street wheat out, as it is bought on a very much narrower margin. As regards the question of distance and time in getting grain to the lake front, we will take the position of the grain, speaking of track price. I think in the past year grain on tracks Manitoba points was worth 4 cents a bushel more actual bid on the market than it was worth Alberta points, and worth 2 cents more Manitoba points than it was Saskatchewan points; so that again shows the difference as to the question of time at which the grain will arrive at the lake front. I was also going to mention the competitive condition existing between country elevators. There are 3,840 elevators in the Prairie Provinces. I think these figures are correct, although, with the human element, there is always the possibility of error. There are 689 owned by the farmers' companies, local farmers' companies. There are 498 owned by the milling companies. There are 1,525 stations that have elevators, and at 941 of those stations, or 61 and seven-tenths per cent of the whole, are farmers' elevators or mill elevators or both. So the competitive condition exists there to such an extent that if the prices were at such variance as we have been led to believe by certain statements, it would seem that the farmers' companies should be able to hold them in better line than that, because the competition does exist, and we know it.

[Mr. R. Evans.]



*By Mr. Sales:*

Q. Just there, Mr. Evans, don't all the elevator companies belong to what is known as the Northwest Grain Dealers' Association? I know the co-operative does not, and I do not know about the Russell?—A. No, they do not, Mr. Sales.

Q. Well, nearly all?—A. Well, I really do not know what composes a membership. I would think nearly all, yes; I think we are quite safe in saying that.

Q. With the exception of the farmers' companies I can speak for the co-operative elevators; if we have say eight elevators at one point and these are all members of the Northwest Grain Dealers' Association, only one wire goes out?—A. Yes, sir.

Q. So that at that point there is no competition?—A. There is just the same thing. That is quite true; the one wire goes out, as a matter of saving of expense and of facility, and it is considered a minimum price. I would not say there was no competition. No one is bound by that price and never was.

Q. Do the members of that elevator association meet in Winnipeg day by day and set that price, or if not, how is it set? Who is responsible for it?—A. No; they do not, Mr. Sales; they have a Committee.

*By Mr. Forrester:*

Q. I would gather from your remarks here that you as an experienced grain dealer find out that the farmers are just as ready and as active in skinning their neighbour that does not belong to the organization as any other dealer?—A. No, because I do not think any of them are out to skin any one.

*By Mr. Sales:*

Q. You referred to the spread, Mr. Evans; can you give us any idea of what the spread was during the operations of the Wheat Board, as compared with the open market?—A. No, I cannot give the exact spread; I think it was five cents on 1 Northern, six cents on 2, seven cents on 3, and I believe either seven or eight on the lower grades. I do not know definitely.

Q. On tough wheat?—A. Well, the tough grades corresponded with the straight grades of the same class.

Q. But you are limited to a 5 cent margin on that wheat, and between what would be the track prices?—A. Yes, sir. I might touch on the question of financing. Just to make it clear, although I do not know that it has any bearing on the matter, I think reference was made yesterday by one of the hon. members of the Committee to the fact that a farmer could not get money on his grain, that he was obliged to sell it. Now, I believe that practically all elevator companies, almost all if not all, are prepared to advance money to the farmer on a security of storage tickets, irrespective of the quantity that he may have in the elevator, that a farmer having one load of grain can secure an advance from the elevator company on that one load as readily as a farmer having a carload can secure his advance. There was one point in connection with the mixing houses—

Mr. JOHNSON (Moosejaw): Mr. Chairman, in connection with this last point, does the witness refer to storage charges in the initial elevators, and would it not be under the standing of a legal contract that the grain would be consigned to that particular company?

The WITNESS: No, sir.

*By Mr. McConica:*

Q. Is that arrangement in common practice? Is that generally known?—A. I do not know that it is known at all. We never, in making an advance to a farmer, specify any way that that grain must be shipped to us.

Q. I mean the practice of giving him an advance on a single wagon-load?—A. We do that very largely in our own company. I do not know what the others do. I think it is done generally.

[Mr. R. Evans.]



Mr. JOHNSÓN (Moosejaw): I did not hear that last statement.

The WITNESS: I say I think it is done very generally.

*By Mr. Johnson (Moosejaw):*

Q. That is what?—A. Advances made on small amounts; I do not know that it is done on a single load.

Q. That is in the initial elevator?—A. That is in the initial elevator.

Q. That your company does that?—A. Yes.

Q. You mean just single loads?—A. Yes; we have made advances on single loads, I think—at least, on several loads anyway.

Mr. JOHNSON (Moosejaw: Mr. Chairman, I would like to ask the witness—I do not dispute his word—if he would bring evidence to this Committee, documentary evidence, of a single transaction of that sort—from any company.

The WITNESS: An advance on—

Mr. JOHNSON (Moosejaw): An advance on a single load taken and delivered to a private elevator without the understanding that that grain was sold to the company.

The WITNESS: I do not know that I could. I would not undertake to do that. I did not say that was done; I said that we would do it if they wanted it, and I stand on that statement.

Mr. JOHNSON (Moosejaw): I understood you to say that you have done it.

The WITNESS: That we are quite prepared to do it, and that the owner of that load can secure an advance if he wants it, and that he can secure it in so far as we are concerned without obligating himself to sell the grain to us.

Mr. JOHNSON (Moosejaw): That would be interesting information to the people in Western Canada. I would still like to get the documentary proof of a transaction of that sort.

Mr. MILLAR: Mr. Chairman, might I suggest that the charge or statement of Mr. Steedsman be included in the evidence.

The CHAIRMAN: Well, let us get through with Mr. Evans first. If you wish to bring up this gentleman later the Committee I am sure will be very glad to hear him, but we cannot interrupt Mr. Evans' evidence.

The WITNESS: I was just going to mention a word about mixing houses. I am not interested in the operations of mixing houses, but the thought occurred to me that a mixing house is legal; it is authorized by the Act; it is under supervision. I have used mixing houses in disposing of our own grain and I do not know that it has any bearing on the matter at all, but it has seemed to me that they have more or less stabilized the values of the lower grades of grain. I just wanted to leave that thought; I do not know as to that being the fact or not. There has been a question raised with respect to the 3 Northern wheat coming out of the mixing houses, as to the quality of the wheat. That, of course, is a question for Government regulation, as to whether the inspectors have inspected the grain or not. Mr. Millar, I believe has raised the point of the complaints coming before the Board of Grain Commissioners. No doubt the record of these complaints is at Mr. Harold's office; I was going to suggest that myself. There is another answer which I think is a fair answer to place before the Committee with respect to the grading of the wheat. That is a letter that appeared in the Manitoba Free Press of April 15 by E. Cora Hind, who is, I believe, the Agricultural Editor of the *Free Press*, and who is at present in Europe. There is one paragraph of this letter referring to wheat, and if I might be permitted to read it I will do so. (Reads):

“Asked as to the status of Western Canadian wheats in Scotland, he said:

“They are preferred to any other because of their remarkable uniformity of grading.” Number three northern may vary slightly from year to year, said

[Mr. R. Evans.]

Mr. Begg, which is not unreasonable, but numbers one and two northern practically never vary. The usual spread between numbers one and three runs from three to four shillings a quarter. The demand varies greatly, however, naturally our millers prefer number one but when the margin between wheat and flour is as narrow as it has been, say during the last week of February and the first ten days of March, the demand is more strongly for number three for while the millers get less flour from it, the present prices for offal are so high as to offset the difference.

Broadly speaking the trade in Scotland is well pleased with Western Canadian wheats, finding them very satisfactory to handle and extremely well adapted to our trade. If I were to send any message to the Canadian farmers who grow these wheats it would be "do not let any one persuade you to change the present system of grading and handling if you wish to continue and expand your export trade. There is no other wheat we handle with the same confidence as we do Manitoba's."

I know nothing of the letter other than as it appears in the *Free Press* from the Agricultural Editor of that paper. There is a paragraph here with reference to flour and shipping troubles, and oatmeal. I do not know if that is of any interest to the Committee; if they want to put the whole thing in they may have the letter.

Mr. SALES: I would suggest that the part read should be put in, Mr. Chairman.

*By Mr. Sexsmith:*

Q. Isn't Glasgow one of the best markets in the world for high grade flour and wheat?—A. I do not know.

Mr. SEXSMITH: I have been over there, and they have told me that the best in the world is what they use.

Mr. McMASTER: Excellent judgment, the Scottish people have.

The CHAIRMAN: Mr. Millar, have you something to say now. You were suggesting that somebody be called now to give evidence.

Mr. MILLAR: Yes; Mr. Steedsman. I see he is not here. We can call him, perhaps, at the next sittings.

Mr. JOHNSON (Moosejaw): Mr. Chairman, I would call attention to the fact that Mr. Steedsman is a member of the House. I do not know whether it is understood that members should be called as witnesses here, but in any event the document which he did not read but submitted—I do not know whether Mr. Brown has it or not—might just be included. The document is all that is required.

The CHAIRMAN: I think if any member wishes to introduce the document perhaps the Committee will allow it, but we could hardly accept a document without a motion, or unless we have the witness on the stand.

Mr. BROWN: I suppose I may have permission to file the document at the next sittings.

The CHAIRMAN: We will consider that if anybody will bring it up in the Committee. I understand that Mr. Godfrey and Mr. Leaman are here from the Winnipeg Grain Exchange and wish to say something. Mr. Rice Jones is here, and I understand Mr. Stewart is also here.

Mr. GODFREY: Mr. Chairman, I have very little to say, and what I have to say I can say in five minutes.

The CHAIRMAN: In that event we will hear Mr. Godfrey now.

[Mr. R. Evans.]

Mr. ALVIN K. GODFREY, called, sworn and examined.

The WITNESS: It is not my desire to give any evidence—

Mr. SALES: Mr. Chairman, might I interrupt?

*By Mr. Sales:*

Q. Will you tell us what you are connected with, what firm or what business?—  
A. Operating line elevators, and commission department.

Q. What firm?—A. Canadian Elevator Company. It is not my desire, gentlemen, to take up time. I am here in order to show a disposition to assist you gentlemen in every way possible, and if there is any assistance we can give, we are here to give it. I want particularly to request that the letter from Deloraine be filed and that we be given an opportunity to go into the matter, in regard to the margin referred to of twenty or twenty-three cents per bushel. I also wish to go on record under oath to the effect that my company does not hypothecate or finance on the farmers' bills of lading. I cannot make that to emphatic. I also wish to add to what Mr. Evans has said relative to the spreads in street prices during the period of the Wheat Board by saying that he overlooked to state that we were also given a carrying charge. I also wish to point out to the Committee, particularly to the eastern members, the fact that we compete, as Mr. Evans emphasized, with the farmers' organizations, and I think pretty generally the same spreads prevail. Aside from that I have nothing to say, gentlemen.

The CHAIRMAN: Has any member any questions to ask Mr. Godfrey?

*By Mr. Sales:*

Q. I believe, Mr. Godfrey, that you have connected with your firm a line of lumber yards?—A. I am manager of a line of lumber yards also, Mr. Sales.

Q. Will you just tell this Committee what the conditions are as you find them amongst the farmers in the West generally?—A. The conditions, Mr. Sales, are just as you expressed them. The farmers in certain locations are in bad shape. They have had a series of crop failures, in some territories. The business men of the West do business largely on credit which they grant to the farmers. The lumber business in particular is a credit business. We have large amounts on our books owing to us by the farmers. My company to-day has \$1,200,000 outstanding accounts covering lumber we had sold to the farmer on time. The policy of selling lumber is "pay for it in October or when you move your crop."

Q. Some of that will be old?—A. We did have at one time this year, early in the season, a million and three-quarters of stuff, but I am not worried, Mr. Sales, about \$1,200,000, for I have implicit confidence in the farmers. We expect to lose some of it. That is a business risk. Now, I am not here opposing a Wheat Board for it would be the height of folly for me to oppose a Wheat Board which my customers want. I am dependent on their good will. I am here, however, to point out, or through my associates assist in pointing out, the possibilities that might prevail by reason of that Wheat Board, and after considering those possibilities, it is for you to decide whether there will be a Wheat Board or not. I personally do not feel that a Wheat Board will meet the condition and there is a hazard there that I do not care, as a business man in the West, to have the Government or the farmers assume. I do not care to be dependent upon a speculation in the western provinces to meet the responsibilities of the farmer to me and of myself to the bank. Does that answer your question?

Q. It is all right; will it not be a speculation in spite of what is done?—A. Well, I am looking at it as a business man, Mr. Sales; it is a speculation.

*By Mr. McConica:*

Q. You say that where there have been crop failures the farmers are in distress. Now, I happen to represent the Battleford constituency—A. Well, the farmers are [Alvin K. Godfrey.]



particularly in distress in that part of the country where we have had a series of crop failures.

Q. But it is not confined to those people?—A. And the low price of wheat has placed the farmer in a position that he would not otherwise have been in. The high price of marketing and cultivating during the past two years must be taken into consideration, and I would also like to draw the attention of this Committee to the high threshing charges. You must be giving that some consideration.

Mr. McCONICA: I have a threshing machine myself, and I am not running it for profit.

*By Mr. McConica:*

Q. Don't you find that the high threshing charge is due to the mad desire of all the farmers to thresh at the same time, and the fact that there are about twice as many threshing in the country for that reason than there should be? The season is short, there is a great demand for labour, and consequently the farmers who have no outfits bid up in order to get an early job done that they may dispose of their wheat soon. Is that not true?—A. You may be correct; I do not know. I do know that the farmers do have to pay a large percentage of the value of their crop for threshing. Whether it is right or not I do not know. I merely bring it before the Committee because I think it is a question into which they should look.

*By Mr. Millar:*

Q. Would you mind, Mr. Godfrey, dwelling just a little more fully on the point you mentioned with regard to track and street price? You said that M. Evans had forgotten the carrying charges. I did not just get the bearing of that.—A. In addition to the five cents we obtain from the Board a carrying chage. I do not recall what that carrying charge was but the orders will show it.

Q. Were you referring to the time of the Wheat Board?—A. Yes.

The CHAIRMAN: Are there any more questions?

The WITNESS: Pardon me, Mr. Chairman, Mr. Johnson, I do not know that I understood your question relating to the financing of small loads. Will you repeat that to me?

Mr. JOHNSON (Moosejaw): I understood from the last witness that it not only could be done, but it was done on a large scale, that a famer would take a load of wheat to a country elevator and be able to get financed to a percentage of that wheat, a wagon-load, irrespective of whether it was consigned to that company or not. That was my statement, of course, I admit freely that if he puts a carload in there and consigns it to the company he will get an advance; but on the wagon-load or small quantity—I will even enlarge that to any quantity—delivered to that elevator and not consigned to it, I would like the evidence of where an advance has been made under those circumstances.

The WITNESS: Why, Mr. Johnson, we have advanced thousands of dollars on the individual load. The farmer hauls his grain into the elevator and he does not desire to sell it at the street price; he is holding it for a higher price—he is holding it, any way; it is his business why he is holding it. He obtains a storage ticket which is a warehouse receipt, whether it is for five bushels or sixty-five bushels—a wagon-load. I think an ordinary wagon-load is somewhere around sixty-five or seventy bushels; they are getting larger now.

*By Mr. Johnson (Moosejaw):*

Q. Are you finished?—A. If I have not all your question, give it to me.

Q. I am going to ask you another one in the light of what you have said—and I do not wish to cast any reflection on your company, I want to say, Mr. Chairman, that I think we must be understood as taking the witness's word as being true. Do you know of an elevator company doing that who also has not a subsidiary business,

[Alvin K. Godfrey.]

possibly a lumber business, adjacent to its elevator?—A. Mr. Johnson, our lumber business has nothing to do with our elevator business; they are two separate and distinct corporations. We have elevators at I think about twenty points at which we have lumber yards. We operate 100 elevators and 97 lumber yards, so that has no bearing upon the question at all. I have not answered you. The farmer can bring that storage ticket or any number of storage tickets to us, or to our agent, and he gives his note.

Q. He gives his note?—A. He gives his note, and he attaches those storage tickets to that note as collateral. When he wants to pay that note he gets the regular bank rate of interest.

Q. What is that, by the way?—A.  $6\frac{1}{2}$  per cent elevator companies—no, 7 per cent elevator companies,  $6\frac{1}{2}$  per cent exporters, and I do not know what it is to other branches of the trade, but for some unknown reason to me, various branches of trade have a different rate fixed. The elevator rate is 7 per cent, by all elevator companies. He is charged the regular rate of interest. We get the storage on that grain as long as it is in that position. If he desires to sell it to us we will give him the street price. If he desires to ship it out, but cannot make up a carload, he can use that stored grain with other stored grain of his neighbour's, if the neighbour has it, and make up a carload. All we ask is what the banker would ask in handling that particular transaction. There is a note, and when the note is paid, the collateral goes back to him just as any other collateral, and any farmer can do that at any elevator—the large line elevators—that I know of.

*By Mr. Sales:*

Q. Demurrage is never paid until after the wheat is sold, is it? You say when the note is paid he may redeem his tickets, but he is not usually in a position to pay his note until he sells his wheat, is he?—A. That is not our fault. It gives him the opportunity of carrying it if he desires to, and if he makes banking arrangements with the bank he can take up his note; if he cannot make his arrangements at that time—and he frequently cannot make them until January 1st—we tide him over until that time.

*By Mr. Morin:*

Q. To what extent are these advances made?—A. I think they go up to about 65 per cent of the street price.

*By Mr. Sales:*

Q. You advance money on the wheat in store; that means that the wheat is there, does it not?—A. Yes.

Q. That goes in with your own wheat?—A. Well, naturally if it is the same grade it goes with our own wheat.

Q. And goes forward to the lakes and is sold with your own wheat, is it not?—A. Well, we have an equivalent elsewhere for it, by the Grain Act.—you understand that—and by the rating of the ticket.

Q. But the actual wheat goes with yours?—A. That particular bushel may have gone with ours, yes.

Q. There are three or four or five loads of yours gone; you cannot keep it separate?—A. Yes.

Q. And it is used as your own, whatever you do with it; you cannot separate it; that must be so. Now, you see the man is paying storage charge on what in your elevator which has gone forward. You have sold his wheat, or used it as your own. You have received the money for it, and you are charging him interest on his own money?

Mr. SEXSMITH: Isn't he gambling on his wheat?

[Alvin K. Godfrey.]

Mr. SALES: Just a moment. I want the answer.

The WITNESS: Is that the question?

Mr. SALES: Yes.

The WITNESS: Mr. Evans has pointed out to you that we cannot get out our own street wheat. Now, it stands to reason that if we cannot get our own wheat out, which we move heaven and earth to do, we will not be able to get much of that stored wheat out. You read that warehouse receipt; it reads something to this effect: "Your have the privilege of delivering that farmer wheat from any point having the same freight rate, and if the car situation is such that we cannot get that wheat out we have it elsewhere." That is not financing on that farmers' wheat.

Mr. SALES: If I am carrying my wheat until May; but the fact remains that it has gone out of your elevator, it is not in storage, and you have used it and got my money in your pocket.

The WITNESS: What difference does it make if I use that bushel of wheat and hold another bushel in another elevator down the line?

Mr. SALES: There are thousands of bushels go forward and are used in that way, Mr. Chairman.

Mr. SEXSMITH: There is nothing wrong in it.

The Committee adjourned at 1.05 p.m. until 11 a.m. Friday, April 28th, 1922.





SELECT STANDING COMMITTEE

ON

# AGRICULTURE AND COLONIZATION

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Minutes of Proceedings and Evidence

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No. 10—FRIDAY, APRIL 28th, 1922

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Mr. James Stewart, Chairman of Canada Wheat Board of 1919.

Mr. Cecil Rice-Jones, a representative of the Canadian Council of Agriculture.

SEP 20 1943



SELECT STANDING COMMITTEE ON AGRICULTURE AND  
COLONIZATION

MINUTES OF PROCEEDINGS

FRIDAY, April 28, 1922.

The Committee met at eleven o'clock a.m., Mr. Kay, the Chairman, presiding. Present: Messieurs Arthurs, Baldwin, Bowen, Brethen, Brown, Caldwell, Campbell, Carruthers, Charters, Chew, Denis (St. Denis), Evans, Fafard, Forke, Forrester, Good, Halbert, Hunt, Jelliff, Johnson (Moosejaw), Kennedy (Glengarry and Stormont), Knox, Lapierre, Leader, Léger, Lovett, Lovie, Lucas, MacKelvie, McLean (Prince), McConica, McCrea, McKay, Malcolm, Maybee, Millar, Milne, Morin, Morrison, Motherwell, Ouimet, Pritchard, Raymond, Robinson, Sales, Senn, Sexsmith, Sinclair (Oxford), Sinclair (Queens, P.E.I.), Spence, Stansell, Stein, Stewart (Argentueil), Stewart (Humboldt), Thruston, Tolmie, Warner, White, Wilson, and Woodsworth.

Mr. James Stewart, Winnipeg, Chairman of the Canada Wheat Board of 1919, who was in attendance, was called, sworn and gave evidence.

Committee adjourned at one o'clock p.m., to resume at four o'clock p.m.

Examination of Mr. Stewart was concluded and witness discharged.

Mr. Cecil Rice-Jones, a representative of the Canadian Council of Agriculture, who was in attendance, was called, sworn, examined and discharged from further attendance.

Committee adjourned at six o'clock p.m., to meet on Monday, May 1, 1922, at eleven o'clock p.m.

Included is exhibit No. 2, "Range of wholesale prices of No. 1 Northern wheat at Minneapolis."

Included is exhibit No. 3, "Special Report of the Federal Reserve Agent at Minneapolis, September 26, 1921, with graphs showing spread of wheat prices at Chicago and Minneapolis."

Included is exhibit No. 4, "Graph showing spread of wheat prices at Winnipeg."

ARTHUR GLASIER,

*Clerk to Committee.*



## MINUTES OF EVIDENCE

COMMITTEE ROOM 424,

HOUSE OF COMMONS,

FRIDAY, April 28, 1922.

The Select Standing Committee on Agriculture and Colonization met at 11.00 o'clock a.m., Mr. Kay, the Chairman, presiding.

The CHAIRMAN: Gentlemen, I have received from Mr. Cornell, of the Canadian National Millers' Association a letter giving his reply to the questions asked by Mr. Sales last week. I will not read it this morning, but it will be read to the Committee later on. The witness to be called this morning are Mr. James Stewart and Mr. Rice Jones. With the consent of the Committee I will ask Mr. Stewart to take the stand first.

JAMES STEWART, called, sworn, and examined.

*By the Chairman:*

Q. Mr. Stewart, will you kindly state to the Committee that you were Chairman of the old Wheat Board, and also your present position?—A. I was Chairman of the Canada Wheat Board of 1919-20, and I am now a grain merchant in Winnipeg.

Hon. Mr. MOTHERWELL: Mr. Chairman, perhaps Mr. Stewart would prefer to answer questions rather than to make a statement. Probably less time will be occupied if we ask any questions that may be in our minds. I myself will ask him one. I have told Mr. Stewart I am going to ask him this. During the evidence there has developed apparently two schools of thought with regard to the practicability of a Wheat Board holding back a portion of the crop during low prices and selling it at a more favorable opportunity. One school thinks that that can be done. I have had some experience in handling farm produce myself, and have opinions as to whether it can be done or not, which I will not give now. I would like to know what Mr. Stewart found to be the actual possibilities, while he was administering the Wheat Board. There is another school who took the ground that if you held back the crop waiting for more favorable opportunities to make a good sale, you will only be playing into the hands of other exporting countries. Some hold that view very strongly. Possibly Mr. Stewart could tell us exactly how he found it worked out when all the wheat in Canada was under the control of the Wheat Board, and whether he could sell it to better advantage that way than the way it has been handled on former occasions?—A. In actual practice we found it possible to withhold grain from the market and sell it ultimately at a higher level. Does that answer your question?

Q. Yes.

*By Mr. Pritchard:*

Q. During the sittings of this Committee there has been a great deal of stress placed upon the importance of the bran to the farmers of this country as a feed, and we gather from the evidence of the witnesses that if the Wheat Board is established a good deal of this bran will be taken to Europe or to Great Britain, and that the farmers in Ontario will suffer a loss as well as the farmers in other provinces because we will not have this bran to feed to the livestock, especially to our cattle. As an



eastern man experienced in the raising of livestock, and also as a buyer of bran to a considerable extent during past years, I may say we have bought bran because of the protein content in it. We found, however, that when bran got to a certain price the frugal, careful farmer did not buy bran when he could buy his protein in alfalfa hay, or clover hay of any kind, peas, oilcake or cottonseed meal, and that as soon as bran got to a certain price where it was dearer than these feeds which furnish protein, the farmers quit buying it. I have questioned, during the debate in this Committee on this matter, whether it was any great loss to us in that way or not, for while we are getting our protein in clover, alfalfa or even in peas, we are not exhausting the fertility of our soil to any great extent. While this has been offered as an objection to the endorsement of the Wheat Board, I fail to see how it affects us very materially. There are some questions the Committee would like to have answered in that regard. Was the price of bran higher during this period than at any other time?—A. That is in relation to the other commodities which you market?

Q. Yes. And while you are finding the answer to that question I may say I have noticed when buying any feed, that the market or the trade in some way gets at the feeding content of the different feeds and places the price accordingly; so that it does not matter what feed you buy. We have studied this matter very carefully for years, and find that the men in the trade have it figured out according to its food content, so that it is immaterial which feed you buy.

Mr. BRETHEN: Did you not find, Mr. Pritchard, that if there was a valuation made of the bulkiness of bran, it would not show to advantage in feeding dairy cattle?

Mr. PRITCHARD: Yes, it is an easy matter to get the bulky feed in cut straw. Take cottonseed meal or oilcake, these concentrates, and put them with cut straw and you overcome the difficulty and you have a good feed.

WITNESS: I think I can answer that question best by reading a public statement issued by me to the Canadian press on December 3, 1919. The statement was issued largely in answer to criticism to which the Board were subjected at that time in regard to the price of bran in relation to other feeds. I now quote from my own statement in the press:—

"From various eastern interests much unenlightened criticism has been directed against the operations of the Canadian Wheat Board with regard to bran and shorts. The feeling of the dairy and livestock farmer in particular has been aroused by those who made him believe that he is being charged an exorbitant price for these two kinds of feedstuffs.

"As a matter of fact, bran and shorts are the two lowest price feedstuffs that can be purchased anywhere in Canada at the present time. Bran at Fort William at \$39.00 per ton in sacks, or at \$33.00 per ton without sacks, is materially cheaper than oats, corns, oilmeal; alfalfa, silage, bundle corn, barley, shorts, timothy or clover at present prices.

"The average price of oats yesterday was 84 cents per bushel, which, plus eleven cents for labour and sacking, would amount to 95 cents per bushel. The feeding value of oats, on the basis of \$39.00 per ton, the present price of bran, is 68 cents per bushel, as against 95 cents, yesterday's price, showing conclusively that bran is relatively cheaper than oats."

I may here state that this statement was perhaps prompted largely on account of criticism levelled at us for allowing the price of bran and shorts to go so high:—

"The same condition is true of all other foodstuffs that have been referred to. The current market price of corn is \$1.37 per bushel; of oilmeal, \$80.00 per ton; of alfalfa, \$30.000 per ton; of barley, \$1.52 per bushel; of shorts, \$46.00 per ton; and of timothy \$34.00 per ton. The comparative feeding value, on the

[Mr. James Stewart.]

basis of bran at \$39.00, is \$1.26 for corn per bushel, \$45.00 for oilmeal per ton, \$22.06 for alfalfa per ton, \$1.05 per bushel for barley, \$45.24 per ton for shorts and \$14.46 per ton for timothy."

Does that answer your question?

*By Mr. Pritchard:*

Q. That is fairly satisfactory. From that evidence we will draw the conclusion that bran was not relatively higher during that period?—A. Yes.

Q. I believe from my experience that what Mr. Stewart has said is correct. Another contention is that owing to the operations of the Wheat Board they were not able to manufacture as much flour. What about the milling of 8,000,000 bushels of wheat per month during that period? How does that compare with the period since?—A. During what period?

Q. Since the Wheat Board ceased control of the marketing?—A. I have not got the figures, sir, but I understand the Canadian National Millers' Association submitted some evidence bearing on that matter, as to what has been done in the matter of grinding wheat since the decontrol.

*By Mr. Sales:*

Q. The complaint was made, Mr. Stewart, that they did not grind as much flour while the Wheat Board was in operation as they otherwise would have done? Is that true? They complained that the export of flour dropped off during that period. Can you explain how that is? Was it because the United Kingdom demanded wheat and would not take flour, or what was the reason?—A. There was less flour ground during the regime of the Canadian Wheat Board in relation to the volume of flour ground during the three years prior to that. That to my mind, can be easily explained by the fact that the European mills could not very well be operated inasmuch as the various countries in Europe who were importing our flour were involved in fighting, and these countries found it more economical to buy the manufactured article ready for use than to buy the raw material, and have it manufactured in their own country. Immediately the war was over the reverse was the case, in so far as the interest of the importing countries were concerned. They set about to try to find something to do for men who were discharged from the army. Consequently, they made it a practice to import as little as possible of the manufactured article. For instance, at one time the importation of flour into the United Kingdom became a very serious matter for the Government in this way, that at one or two ports the men employed on the wharves and in unloading the ships virtually declined to unload them. Greece also entered into a programme of industrial reconstruction, and almost irrespective of what price flour would be to them, they were committed for national reasons to the purchase of the raw material. Consequently, as I said at the outset, relatively the volume of flour exported during the regime of the Wheat Board was smaller than for the three years previous to that.

*By Mr. Sales:*

Q. It was not because you were trying to discriminate against the millers?—A. No, sir.

Q. They made some accusations that you did not treat them fairly, and did not live up to your agreements with them, but I will not bother about that. Mr. Stewart's main purpose here this morning is to deal with the action of the Wheat Board in regard to the marketing of wheat. I think the millers can take care of themselves anyhow.

*By Mr. Caldwell:*

Q. In other words, you believe that that condition would have prevailed with regard to the export of wheat and flour if there had been no Wheat Board in operation?—A. Yes.

[Mr. James Stewart.]



Q. It was due more to the policy of Europe than any action taken by the Wheat Board?—A. Yes.

*By Mr. Evans:*

Q. On page 158 of the evidence General Labelle appears to infer that the consumers in this country had some difficulty in securing the flour they needed. What have you to say to that?—A. It is the first I have heard of it.

*By Mr. Caldwell:*

Q. The statement has also been made that the fact that we had a Canadian Wheat Board enhanced the price of flour to the Canadian consumer, and if the Wheat Board were re-established now it would increase the cost of flour to the consumer in Canada?—A. That contention could only be true if the general world's level were increased by the action of the Canadian Wheat Board.

Q. Or, in other words, the price of flour in Canada is regulated by the world's price, and not by any action of the Wheat Board?—A. Will you ask your original question again, please?

Q. The statement has been made that due to the action of the Wheat Board the price of flour was enhanced to the Canadian consumer, and that if the Wheat Board were reconstituted now it would mean an advance in the price of flour to the consumer in Canada?—A. As a matter of fact, the Canadian Wheat Board have never stated it before, but the price at which the Canadian consumer got his flour was relatively less than that received for the wheat which was exported as raw material; so that the Canadian consumer paid less than the world's price.

Q. For flour?—A. Yes.

Q. Had there been no Canadian Wheat Board at that time would the price of flour to the Canadian consumer have been more or less? Is it not a fact that the price of flour to the Canadian consumer would probably have been higher without the Wheat Board than it was with the Wheat Board at that time?—A. I would not like to express an opinion on such a debatable point.

Q. I think the previous answer covers the point very well, that the Canadian consumer at that time was getting his flour at a less price than any countries where there was no control?—A. Yes.

*By Mr. Pritchard:*

Q. We have had before this Committee requests from the farmers of Western Canada to re-establish the Wheat Board temporarily, and they have proved to us by their evidence that their business has been unprofitable for the last two or three years. I would like to ask you whether, in your opinion, the millers made a reasonable profit under the Wheat Board?—A. From my knowledge as an outsider, I would say yes. I would furthermore say that the millers themselves during the early part of 1920 when we decontrolled flour, sent a deputation to Ottawa asking that they be recontrolled, so that I would regard that as evidence that they were satisfied with the treatment meted out to them by the Canadian Wheat Board.

*By Mr. Sales:*

Q. Do you mean to say that you decontrolled flour and gave the millers a free hand, and that they asked you to re-control them again?—A. Yes.

Q. Then what in the world are they kicking about?

*By Mr. Pritchard:*

Q. Another contention has been raised about the spread between the bran and shorts when the Wheat Board was in control. Would the spread of \$10 per ton between the bran and shorts have been greater if the Wheat Board had not been

[Mr. James Stewart.]



controlling that?—A. You are trying to lead me into the realm of speculation, I am afraid. I can only give you the facts. In the feeding of hogs, particularly at weaning time—and the hog population of the Dominion was pretty large at that time—it is the invariable practice, as I understand it, to feed them on shorts; in other words, it has been found the most suitable feed for hogs at that stage. You can obtain substitutes for bran for feeding stock. The consequence was that shorts virtually had to be secured at any price, whereas bran had not. That accounts for the differential between shorts and bran at that time. It was a very serious question in the minds of the Board as to the establishment of that spread. We investigated not only on the Canadian side, but also the conditions in the eastern states of the United States, and we arrived at the \$10 spread, not only on account of the conditions we found in Canada, but on account of the export value to the eastern states of shorts and bran.

Q. \$25 hogs made dear shorts?—A. That is the assumption.

*By Mr. Thurnston:*

Q. The charge was made by one witness here—probably by a few of them, but one particularly—that the Wheat Board under you, as Chairman, confined its efforts principally to selling wheat, and that your main idea was to give help to the farmers on the prairie. I would like to hear from you as to whether your efforts were directed wholly to selling wheat or whether they were also directed to governing the price of flour to the consumer?—A. I think the best answer to that question is this, that in our efforts to secure markets for flour as well as wheat, and in order to be free from any suspicion along these lines and to satisfy ourselves, and incidentally the millers, that every impartial effort was being put forward to sell the flour, we requested that the Secretary of the Canadian Millers' Association, then Mr. Stanford Evans, be loaned to the Canadian Wheat Board to go over to Europe himself to investigate the situation. Further evidence that I, as Chairman of the Board, would now adduce to prove that there is no foundation for such a statement is this, that at one time, in order to keep the mills going; we had as much as approximately—I am speaking in approximate figures—one and a quarter million barrels of flour on hand unsold, scattered throughout the Dominion. In addition to that, we had agents in the United States, and at one time I took the liberty of asking Mr. Black, a member of the Board, and also managing director of the Ogilvie Flour Mills, to accompany me to New York City for a few days in order to try to help us in the United States market to merchandise our then stocks of flour as well as any future stocks which might be manufactured.

Q. Would you say that in your opinion, after considering your operations, you were absolutely fair to all interests concerned, and that if a similar Board were reconstituted it would be as fair again?—A. I cannot answer for the other Board that may be reconstituted, of course.

Q. A similar Board?—A. In reflecting on the actions of the Canadian Wheat Board, and having regard to the information then in our possession when we arrived at our decisions, I cannot see where we would have altered our actions in one iota. Does that answer your question?

Q. Then you would say that as far as you have learned since, you were absolutely fair to all parties concerned?—A. My conscience is quite clear, sir.

Q. And you think that if a similar Board is reconstituted under the conditions which are prevailing to-day, it would be the same?

*By Mr. Sexsmith:*

Q. Would it be possible that it would be the same?—A. I am afraid I do not get the point of your question.

[Mr. James Stewart.]

*By Mr. Thurston:*

Q. You will note that you were operating under a little different conditions to those which prevail to-day. There were other countries in which wheat and flour were under control. I am asking if a similar Board were reconstituted, could they be as fair to all parties as you were during the operation of the old Wheat Board?—A. It is a question of doing the right thing.

Hon. Mr. MOTHERWELL: Hear, hear.

*By Mr. Thurston:*

Q. It could be done, or could not—A. In the matter of fairness, as long as any one is fair and does the best he can—if you had a proper Board they would do the best they could, I presume.

*By Mr. Forrester:*

Q. You made a statement here a little while ago that when you decontrolled the flour in the spring of 1920 the millers wanted you to recontrol it, and that statement caused my friend Mr. Sales to say: "Then what in the world are the millers kicking about?" You can tell us what they were kicking about, and why they wanted you not to give up control or to recontrol flour after recontrolling it. I think you have led Mr. Sales and his friends astray?—A. I do not know why the millers asked us to recontrol them. No doubt an answer to that could be got from the Department of Trade and Commerce, to whom they appealed to compel us to take them under control again.

Q. Was not the reason plain and simple, that they had a large stock of manufactured flour on hand, and they were afraid?—A. No; I would not admit that. As a matter of fact, at that particular time, the millers claimed they assumed we would take the flour from them at an equivalent to the wheat price on any unsold portions they might have; so that could not be the reason at that particular time, or the statements which they made subsequently would not be correct.

*By Mr. Sales:*

Q. I have an idea it must be this: Mr. Thompson spoke of a very large profit made by the Wheat Board. Of course, I know it was wrong, because the Wheat Board did not make any profit. I have an idea that they wanted to share that profit and wanted you to increase the price of flour so that they could do so, and you refused to increase it? He claimed they made over \$6,000,000 profit on the flour they had ground. He claimed they ground wheat for nothing for the Wheat Board on some occasions, and I think they wanted to raise the price of flour and you would not allow them?—A. I am afraid I cannot answer that question, because the thing has gone out of my mind altogether. It is over two years since the instance to which you refer occurred.

Q. I would like to take your mind back, Mr. Stewart, to the close of the Wheat Board in August, 1920. The statement has been made by Mr. Wood that had the Wheat Board been in operation last year it would have saved to this country \$25,000,000. That has been ridiculed to some extent by Dr. Magill, and I would like to know your opinion about that matter. Had the Wheat Board remained in operation instead of being disbanded—your remember the fall in the price of wheat that took place so disastrously—what would have been the amount of money that would have been saved to this country?—A. I am rather diffident about expressing any opinions, Mr. Sales, if I may be excused.

Q. I recognize your position. I know that as former chairman of the Wheat Board it may almost appear to this Committee as if you were after the position again, and I can assure them that that is not the case. But the farmers have

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imagined that when the Wheat Board was decontrolled and they became aware of that fact in Chicago they immediately started out to sell all their own wheat, probably their own carry-over, and the more they sold the more the price was depressed, and they did that knowing they could come and buy our wheat in October, a better wheat than their own, at a less price. Is that right?—A. I would imagine so.

Q. Then the constant selling by these people of the future wheat depresses the price the producer receives?—A. I will go thus far, that the removal of control at that particular time did precipitate a decline; in other words, the decline would not have been so drastic immediately had the Board been operating in Canada at that time.

Q. Had you been assured of continuing the Wheat Board for that year you would have been selling to the British buyer Canadian wheat in the months of July and August at a price of \$2.85, \$3 and so on, would you?—A. Presumably.

Q. So that the farmer would have got the benefit of that selling? Doctor Magill stated that you could not sell because you had no assurance of possessing authority, and the trade could not sell because they had no authority and were closed up, and the consequence was we had to suffer a big decline in prices. My point is that we lost many millions of dollars that year because the Wheat Board was not continued?—A. Speaking in general terms, I would say yes.

Q. But you could not give us any idea of how many millions of dollars were lost?—A. No, sir.

Mr. SALES: Could we have Dr. Magill's 1921-22 chart, and also the chart for 1919-20 hung upon the wall, Mr. Chairman?

The CHAIRMAN: Yes.

*By Mr. Milne:*

Q. Have you any connection with the milling industry or are you purely a grain merchant?—A. I happen to be associated with a milling concern now. I am president of the Maple Leaf Milling Company.

Q. And have you had practical farming experience or just a business connection with farming?—A. I was brought up on a farm, and am conducting a farm by proxy at the present time.

*By Mr. Sales:*

Q. Dr. Magill pointed out to us that the price in Minneapolis was very much higher than in Canada, and I wondered why you did not sell our wheat to the Minneapolis market and take advantage of that high price, \$3 and something?—A. The spring wheat crop in the northwestern states in 1919 was not of a very high quality. If I recollect rightly, during the crop season there was only inspected at Minneapolis about 7,000,000 to 10,000,000 bushels all told of say, No. 1 Dark Northern. The prices prevailing for the average spring wheat in Minneapolis during 1919 and 1920 I would not admit to be any higher than were received by the Wheat Board at that particular time, I mean the average price received for the spring wheat, not for any one particular grade. Furthermore, we did not have access to the Minneapolis market until after the 15th December. During the winter months the volume of wheat which could be got to the Minneapolis market did we desire to sell it, could not be very large. As a matter of fact, when we did sell some wheat during the months of January and February, 1920, we had to make the condition that the purchaser himself would have to supply the cars, and he in turn was obliged to get them from the American roads because the Canadian roads would not allow any of their equipment to go on the foreign roads. Later on in the year, as far as the Canadian Wheat Board was concerned, we encouraged as high a level as possible to prevail on the Minneapolis market, because the volume of very high grade wheat that was required there was very limited—which we proved from experience—and for

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purchasing countries who were not aware of that condition it was in our interests to always point in the merchandising our wheat to the high index in Minneapolis, and thereby get a better price for our own product. It is my opinion that if we had allowed even 1,000,000 bushels of Canadian wheat on to the Minneapolis market it would have declined at that time anywhere from 25 cents to 75 cents a bushel.

Q. And yet you hesitate to tell me how much money the Wheat Board made for this country?

Mr. FORRESTER: Lost.

Mr. SALES: No, not lost but made.

Q. You just kept the Minneapolis market hungry for our wheat, and only fed it to them when they would give you the price you wanted, and when you got the price from the Minneapolis market you could point that out to the British buyer and say, "This is what the States will pay for it." You gave Minneapolis as little as possible in order to keep that index figure as high as possible. In your report at page 11 you say: "It is perfectly obvious that under a system of national control, where only one seller exists, and buyers are numerous, the advantage in trading is with the seller."—A. That is turning the tables on me.

Q. But you are the seller?—A. I am here to give you exactly what we did and why we did it; that is all I am concerned with.

Q. And you believe that had we had an open market at that time, no Wheat Board, and Minneapolis could have got this wheat freely from the farmers of this country and from the traders, that price would have been very much lower than it was.—A. Well, I am subject to correction on that. There are gentlemen here who know the Minneapolis market very much better than I do, but I regard the Minneapolis market as a very narrow one, and not of much consequence as an index to the world's supply and demand. I fully appreciate that I am subject to correction on that, but in actual practice that is the way I look at it myself.

Q. Would you mind telling me—and if you do mind do not tell me—what was the highest price at which you sold wheat at any one time? If you do not care to answer I will leave it with you.—A. \$3.60 American funds, f.o.b. steamer *Montreal*, which worked in actual practice \$9.02 and a fraction Canadian funds.

Q. How is that, then, compared with the highest price ever obtained in Minneapolis?—A. I cannot tell you.

Q. Well, it is on that chart, I think—\$3.60?—A. Oh yes, but then I may be misleading you, Mr. Sales. That was the price f.o.b. steamer *Montreal*. You would have in order to get the Canadian price, to deduct from that transportation charges of probably about 12 cents at that particular time, bringing the price back at Fort William to approximately \$3.90.

*By Mr. Stewart:*

Q. From your statements I take it that you are trying to show us that the Wheat Board was able to intelligently regulate supplies to the markets, and benefited from that. In your report to the Saskatchewan Government you made a definite statement. Are you still prepared to stand by it that this system of competitive selling permits us of no intelligent regulation of supplies.—A. Will you repeat the early part of your question?

Q. I said that from the statements you have made you led us to believe that the Wheat Board was able to make an intelligent regulation of supplies to the market, and that we had benefited from that, and then I quoted your report to the Saskatchewan Government that, "This system"—referring to the competitive system—"permits of no intelligent regulation of supplies." That is at page 10, under "Competitive selling system."—A. Yes sir; I would not go back on anything which is contained in that report. You must read the text.

[Mr. James Stewart.]

Q. Then, in that same connection, we are speaking now of the controlled market under the Wheat Board. We have heard of a voluntary system of pools which has been mentioned here. If this benefit did accrue—and we have had evidence that it did—would the same benefits result from a voluntary system of pooling?—A. Comparing the centralized form of marketing only I would say that compulsory would be more effective than voluntary.

*By Mr. Sales:*

Q. And would you say, Mr. Stewart, that it would be less dangerous financially to the Government to have a compulsory scheme than a voluntary one?—A. I would say unhesitatingly that there should be no interest to the Government in either.

Q. But my point is this—you have missed it altogether—that under a compulsory scheme with you in charge of it and going back on your experience, you would begin to sell wheat in July or in any month that the British buyer would buy if at a price that you thought would leave a profit to the producer of grain in this country—you could do that because you would know under a compulsory system that you were the only man that could get that wheat; but suppose you were put in charge of a voluntary one, how would you feel about selling wheat in July or in June or in August when the grower of grain can do absolutely as he pleases, whether he gives it to you or anybody else, how would you feel then?—A. Well, I do not think that it would be good business on the part of a voluntary pool to sell any volume so far ahead.

Mr. SALES: Exactly.

*By Mr. Morin:*

Q. Mr. Stewart, in reply to question 1 you stated in the report to the Government of Saskatchewan that the formation of any kind of pool comprising less than the whole of the Western wheat crop would not be as advantageous from the producers' point of view as a system of national marketing of the whole crop by a Canadian Wheat Board. Now, do you consider that the creation of your Wheat Board which without any compulsory feature would take the wheat of those of the producers who would elect to sell or withdraw it, advance a certain percentage of the value as a first payment, sell it under the best condition possible, and afterwards divide the surplus amongst the farmers having dealt with it, would procure some relief?—A. I wonder if you would be good enough to ask the question again.

Q. Do you consider that the creation of a Wheat Board which without any compulsory feature would take the wheat of those of the producers who would elect to sell or withdraw it, advance a certain percentage of the value as a first payment, sell it under the best conditions possible, and afterwards divide the surplus amongst the farmers having dealt with it, would procure some relief?—A. I would say yes; that is a voluntary pool in effect.

Q. Practically, yes.—A. I would say probably yes. It should, or rather, in my opinion it would in a measure help. That is my opinion.

Q. It would procure some help?—A. That is my opinion.

Mr. JOHNSON (Moosejaw): Mr. Chairman, may I ask Mr. Stewart a question in view of the answer he has just given to Mr. Morin's question?

*By Mr. Johnson (Moosejaw):*

Q. You have stated that, putting it briefly, in your opinion a voluntary pool would bring some measure of relief? Is not that correct, Mr. Stewart? That is what you say?—A. Yes.

Q. In your opinion could a voluntary pool as it has been described reasonably secure as high an average price for the wheat it handled as a compulsory pool could,

[Mr. James Stewart.]



or could it reasonably secure as high an average price for those using it as the average price secured by those who market through the ordinary channels? Have I made my question clear, Mr. Stewart?—A. Well, really, the question is not quite clear to me to begin with, and secondly in so far as it is clear it is one that would require a lot of thought before answering intelligently. Would you repeat it again?

Q. I will try to make it clear. Of course, I did complicate it by asking two or three at the same time; I will take them separately. Could a voluntary pool such as this gentlemen mentioned reasonably secure as high an average price for the wheat as a compulsory pool handling all the wheat?—A. Well, we have stated in our report to the Saskatchewan Government that in so far as centralized marketing is concerned, there is nothing as perfect as a compulsory pool.

Q. That satisfies me; are you ready for the other question?—A. Yes, sir.

Q. I will have to explain for just a moment. If there were a compulsory pool, reasonably it could not be expected to handle all the wheat; somebody would sell through other channels. Now, there would be two ways of selling; a lot of it would go through the voluntary pool and a lot of it would go through the ordinary channels of trade. My question is this; could the voluntary pool under those circumstances reasonably expect to get as high an average price as the average price secured by those who used the ordinary channels of trade? That is as clear as I can make it, Mr. Stewart.—A. It is quite clear to me. There would always be a difficulty in establishing an average price at which the wheat marketed through the ordinary systems would secure.

Mr. JOHNSON (Moosejaw): I grant you that.

*By Mr. Forke:*

Q. Mr. Stewart, I would like to ask you, with your knowledge of the Western farmer and Western conditions, do you think it at all likely that a voluntary wheat board would get any percentage of the wheat, paying only a percentage of the price down in competition, with the buyer who is paying the full amount of the price right to start with? Do you understand my question?—A. Yes, I think I do.

Mr. JOHNSON (Moosejaw): I wonder, Mr. Chairman, if Mr. Stewart had completed the answer to my question. I think that is important. If he says he has it is all right.

The WITNESS: I think I have answered all the question. What was your question.

*By Mr. Forke:*

Q. I said, with your knowledge of Western conditions and the Western farmer, and his financial circumstances in the fall or winter months, do you think it at all likely that a voluntary pool with a buyer who was paying the full market price when he bought the wheat, and the pool only paying a percentage—do you think it at all likely that a voluntary wheat board would get any fair percentage of the wheat that was on the market?—A. A voluntary wheat board could only expect a small proportion of the crop as a whole at any time, but the psychological effect it would have in cases of great depression in the market would, I think, justify its existence. It would be difficult to show that in actual dollars and cents, but speaking as a grain dealer myself, if I was up against even a voluntary wheat pool and even if I feel somewhat bearish on the situation as a whole, I would not dare to press it too far, or at least carry my bearish feelings too far, as I would not know what that voluntary pool was accumulating and what it was doing. In other words it would be like a very large competitor, which as a dealer I would have to respect if it were properly conducted.

*By Mr. Thurston:*

Q. In other words, Mr. Stewart you would say that the formation of a voluntary wheat pool is better than the system that we have at the present time?—A. Pardon me; I did not say that, if I recollect correctly.

[Mr. James Stewart.]



Q. Well, I took that from your answer, that on the other hand a compulsory wheat board would be better still in the interest of the farmers who sold wheat.—  
A. Well, I do not recollect having made any comparisons between a Wheat Board and the present system.

Q. I just took that from the answer you gave. The other day Dr. Magill made a statement, and, being a farmer I do not just like to swallow it all. He accuses the farmers all over the world of being what you might call chronic kickers. He said in the West when the wheat crop is going onto the market they complain of the price being depressed, in the United States when the wheat is going on the market the price is being depressed, and the same thing in the Argentine and all the other countries in the world. Is there any reason why Canadian wheat is wanted on the British market at all times of the year, any more than any other wheat? Has it any higher milling value? Is it a better grade of wheat?—A. My opinion is that as long as Russia is not exporting wheat in any large volume, a wheat such as is produced in the Northwest is not only desirable but really necessary to blend in with wheats which come from other parts of the world.

Q. At all seasons of the year?—A. At all seasons of the year. I would say that speaking broadly the English miller has a reserve in some position or other of Canadian grain all the time.

MR. FORRESTER: Mr. Chairman, I would like to ask Mr. Stewart, he knowing the wheat trade, if it is not a fact that nearly all wheat pools that have ever been formed have proved disastrous except an odd one now and then, no matter who formed them, or what the conditions were? They have the whole world up against them, every trader and grower.

THE WITNESS: I have had no experience with pools other than the Canadian.

*By Mr. Forrester:*

Q. Well, you know about them?—A. Well, really I cannot say that I do. I never heard of them other than the Australian wheat board.

Q. I would like to ask you another question just now, and then I will be finished. I understand you decontrolled flour; when you did that you took some six odd million dollars from the millers; what did you do with that? I always like to know where the money went and who got it.

AN HON. MEMBER: The consumer got it on the price of flour.

THE WITNESS: You will have to show me first of all where we took the six millions from.

*By Mr. Forrester:*

Q. How much was it? It was close to that.—A. I did not know we took anything.

MR. FORRESTER: You took the profit.

*By Mr. Brown:*

Q. Mr. Stewart, since we have come back to that flour question again, is it a fact that the millers wanted that price of flour raised sixty cents a barrel, before it was decontrolled? We have been told that.—A. That is right. I had forgotten that. It is coming back to me; it is two years since these incidents occurred and they skip my memory because I did not think I would have to speak of them again. As far as I recollect, there was a difference of opinion between the millers and the Canadian Wheat Board as to what price should be allowed for domestic flour. We thought that the price was high enough, and the millers, of course, thought the contrary, and we thought that the fairest thing to do was to decontrol it and let them fight among themselves—I should not say “fight,” but compete among themselves on a legitimate basis, and as far as I recollect I do not think that the price did advance from that which the Wheat Board has set, or rather, had approved, prior to that.

[Mr. James Stewart.]

Q. That is, it simply amounts to this, that they wanted the Wheat Board to raise them the sixty cents, and then you told them you would not do that, and told them to go out on the market and get it?—A. Well, I would not like to say that.

*By Mr. Caldwell:*

Q. You stated that when the decontrol took place the price of wheat declined quite rapidly; did flour decline in a corresponding degree with wheat at that time, after the decontrol?—A. I am sorry, sir; my interest in flour was very limited. Immediately after the Wheat Board went out of operation, I was not connected with any milling concern then, and as a matter of fact not until about a month or two ago. Consequently I am really sorry, but I cannot answer your question.

*By Mr. Malcolm:*

Q. Mr. Stewart, the first few questions here have been as to what the western farmer realized on his wheat; the last few questions have been pertaining to the price of flour, and the price of flour under the Board was probably on a more satisfactory basis than under open competition, as far as the consumer is concerned. This Committee, I take it, is equally interested in the consumer, and I would like to ask your opinion as to whether the consumer of flour would get a more regulated condition under a compulsory wheat board, as well as having the western farmer and the grower of wheat get a higher average and a better price than he would under an open market as we have at present. Would the Wheat Board also be beneficial to the consumer?—A. In dealing with the advantages of a pooling system in our report to the Saskatchewan Government, we, after considerable thought came to this conclusion respecting that. We said that the more evenly regulated movement would stabilize prices to the consumer as well as in favour of the producer, inasmuch as whilst the big movement of the crop is in progress, prices to consumers are usually low. This relatively low price only continues for three or four months. Does that answer your question?

Q. What I would really like to know, Mr. Stewart, is this: A good many members of this Committee are anxious to assist in every way the western farmer; they are also anxious to assist in regulating the price to the consuming public of the Dominion of Canada, who are the electors of this Parliament. In your opinion, would the Wheat Board work any hardship on the consumers of flour, the great mass of the Canadians who buy flour and who are of prime consideration to this Parliament?—A. I would say this, sir, that with wheat constituting from 25 to 30 per cent of the exports of the Dominion of Canada, the higher the price which we can secure the better it is for the Dominion as a whole, because the farmer is a consumer as well as the city dweller, and I think the last census shows that 51 per cent of the population of the Dominion are farmers or interested in farming operations. Consequently, as only about one-third of what is grown of wheat is consumed within the Dominion, I would unhesitatingly say that the higher the level, the better for the country as a whole.

Q. I speak from the standpoint of the Canadian cattlemen, too, who are consumers of the by-products, and I am quite willing to support a compulsory or voluntary wheat pool, provided your argument shows that it would be better for the Dominion of Canada as a whole. Is your last answer to the effect that it would be better for Canada as a whole to take the high export price of wheat, which would be reflected in the general trade, or to be in an open market such as we have to-day? That is what the members of this Committee who are not interested in wheat directly would like to know?—A. Could you make your question more concise, please?

[Mr. James Stewart.]



*By Mr. Stewart (Humboldt):*

Q. May I quote from Dr. Magill's evidence at page 194 of the report:—

"The question is, was the consumer sacrificed? Well, there is no consumer in the world that I know of who was better treated—none, in my judgment, better treated, so far as most of our consumers are concerned. There was one class of them not protected, but that was not the fault of the Wheat Board. The fact is that the wheat that our Canadian mills bought at that price—which I do not need to repeat—is among the best wheat in the world, and the fact is that by fixing it at \$2.30 the buyer of flour was amply protected. The price of flour was also controlled."

*By Mr. Malcolm:*

Q. That is not an answer to my question, but a statement by Dr. Magill with regard to the operations of the Wheat Board. I want an answer from the witness as to how it would work under present conditions, not under war conditions?—A. When Dr. Magill made that answer, what was the question?

Q. "Was the consumer sacrificed?" We would like to know if the same conditions would prevail as prevailed during war years?

Mr. STEWART (Humboldt): Such conditions as prevailed under the Wheat Board.

Mr. MALCOLM: Yes.

The CHAIRMAN: I think the Committee must confine themselves to one question at a time.

*By Mr. Malcolm:*

Q. Mr. Stewart of Humboldt read from the evidence of Dr. Magill in which he maintained that the consumer was well treated under the operations of the old Wheat Board under the conditions that existed at that time. Do you consider that the consumer would be well treated under present conditions if a compulsory Wheat Board were put into operation, and would it reflect to the general benefit of the Dominion of Canada?—A. If I expressed an opinion on that, would it not really amount to contempt of court? This Committee must determine that. I can only talk from practical experience, and tell you exactly what happened during the regime of the old Wheat Board.

Q. I do not think it involves contempt of court. We call witnesses to obtain their opinions, and there are in this Committee a great many men who are very anxious to do the best thing with regard to the question of a Wheat Board. I think we have the right to ask your opinion, because you were a member of the old Wheat Board?—A. Well, the Wheat Board as an economic proposition is a good one; but, on the other hand, the measure of public opinion which would be in favour of such a project would be a matter that would have to be taken into consideration by this Committee.

Q. It is quite evident that there is a very large body of public opinion strongly in favor of the Wheat Board, and a unanimous body of public opinion strongly in favor of whatever finding is going to be the most beneficial to this Dominion. I am in no way opposed to the wheat pool, compulsory or voluntary. I am looking for information from the witnesses as to which method would reflect the greatest benefit on this Dominion. If it reflects benefit on the wheat grower and is indirectly reflected beneficially on the rest of the Dominion, that is a good thing, and that is the point we would like decided?—A. I am afraid, sir, that I have not a sufficiently decided opinion to advise you one way or the other.

[Mr. James Stewart.]



Mr. JELLIFF: Mr. Chairman, with regard to the question put to the witness by Mr. Malcolm, should we not take as the opinions of the witness the answers to the questions contained in the report made to the Government of Saskatchewan in March, 1921?

Mr. MALCOLM: Why should we not have his opinions stated here if they are already printed?

*By Mr. Forrester:*

Q. You expressed the opinion that the higher the wheat went in Canada, the better it would be for both the producers and the consumers in this country. I thoroughly agree with that statement, and am willing to support a Wheat Board to increase the price of wheat. You have not, however, answered my question as to what you did with the profits when you decontrolled the flour. You got profit handed over to you from the flour millers, and I would like to know what you did with them?—A. I think I answered that question quit conscientiously when I said that you have to show me first of all that we made a profit, and then that they handed us any money at all.

Q. Close on to \$6,000,000, according to the statement?—A. The statement by whom?

*By Mr. Pritchard:*

Q. By one of the millers?—A. I think I can explain to the Committee how that occurred, or rather what is floating around in connection with that. I have been trying to remember what the cause of all this is. There was a period during the winter of 1919-20, say in January, 1920, when the Ontario millers were finding it rather difficult to keep their mills going full swing. We were not able to sell flour, as I have already explained. The millers who had ground flour in order to make room got it on track and consigned it to Montreal, the nearest port they could get to. They knew we were not in the market, but they hoped that we would soon be in the market. The flour arrived at Montreal and was sold. We bought it within a reasonable time limit of that just to clean up the market, and to help them out in the matter of taking the surplus off the market altogether. We bought that superfluous quantity, put it in store at Montreal, held it for possibly two or three months or longer, and before ultimately parting with it abroad, we did make a profit. Somehow or other the Dominion millers got to know we were selling—the facts were quite easy to ascertain—winter wheat at prices much higher than the prices at which we had bought it from them. Well, we regarded the transaction as a business deal when we purchased it from them originally, and considered the incident closed. Had the market declined we would have had to absorb any loss, but inasmuch as the market advanced, the president of the Dominion Millers' Association appeared before the Board and asked that they be given a little higher price, possibly \$1 a barrel or something like that more, for the flour that was bought during that low price period. Mr. Thompson went to Winnipeg to present the case before the full Board. I did not like to assume the final responsibility because Mr. Thompson, who was president of the Dominion Millers' Association at that time, I think, seemed very serious about it. I wanted the assistance, of my colleagues in order to determine whether or not we were doing a fair thing, for I could not see any merit in Mr. Thompson's point. Then in order to ascertain whether or not they had really lost the amount of money on these shipments which they claimed they had, we tried to get from Mr. Thompson the expenses incurred in the manufacturing of the flour as far as he himself was concerned, but we could not make any headway because actually his evidence amounted to this: That he was engaged in more than the flour business. For instance, he was engaged in merchandising turnips, cement, shingles, and stuff like that, and all he knew was that taking it over all in his business he was not making money. He could not, however, show us whether he was losing the money in the merchandising of the turnips or the

[Mr. James Stewart.]

merchandising of the flour. In any event, we considered that the deal was closed when we made the original purchase from him.

*By Mr. Morin:*

Q. What relation is there between the price of wheat in Canada and the price of wheat in Liverpool?—A. The price of wheat in Liverpool should be the price of wheat in Canada plus the transportation and other incidental charges.

Q. Would it be possible for a selling agency controlling the marketing of the whole of the wheat in Canada to increase or to affect in any way the Liverpool price?—A. It stands to reason that one seller as against many buyers has a better chance in the merchandising of any commodity. I would accept that principle unquestionably.

Q. Would that be to a very large extent or only to a very small extent?—A. That would depend very largely upon circumstances.

Q. Then we might conclude that the operation of the Wheat Board would affect the foreign wheat price and increase it to a certain extent for the benefit of the Canadian producers?—A. Conditionally upon the crop not being a very large one, such as we had in 1915, I would say that possibly the price which a Board would receive might be better than could be secured under the present system.

*By Mr. Malcolm:*

Q. Will you permit me to return to my question? I have been shown this report to the Government, I see on page 15 the following statement: "(2) The more evenly regulated movement would stabilize prices to the consumer . . . ." We agree with the statement that a stabilized price to the consumer is probably better than a fluctuating price, even though it might be low at times and high at other times. Is, in your opinion, the re-establishing of the Wheat Board, going to give the consumers a square deal? Having gone into print in this statement, it does not appear to me that you have any valid objection to answering my question before this Committee. If the Wheat pool is eminently satisfactory to the grain growers, and is going to stabilize prices to the advantage of the consumer, then in your opinion the wheat pool is the proper method? That is the point which this Committee would like to have answered. I see no objection to your answering that question, having already gone on record in this report?—A. (no answer.)

Q. If you have changed your mind since this report was printed, I will not ask you to answer my question?—A. I have not changed my mind. I stand by the report to the Government of Saskatchewan.

*By Mr. Evans:*

Q. What is your explanation of the statement made by the representative of the Dominion Millers' Association to the effect that they ground their flour for absolutely nothing, and that the Board took it off them at a price that left them nothing for the grinding, according to Mr. Thompson's statement on page 136 of the evidence?—A. No doubt Mr. Thompson's statement there is similar to the one he made before the Board at the time he met us, but there was no one that could give us any information, inasmuch as he himself as president of the Association could not tell us whether he was making money on cement, shingles, turnips or flour.

Q. The statement on page 136 is: "But when we ground that out we found that the price they had given for the flour just equalled the price we had paid them for the wheat, the bran and shorts included."?—A. He may be telling the truth, but we could not establish that. He may be giving you the true facts, and I would not say he did not, but we could not give the country's money out to anyone on incomplete evidence. Anyway, we considered it a business transaction which began and ended when we purchased the flour from the millers at the price then agreed upon.

[Mr. James Stewart.]



*By Mr. Sales:*

Q. With regard to the 1921-22 chart, you will note the high spot there in August and the low in October, November and December. Dr. Magill in answer to a question stated that in his opinion there was nothing in the world's supply of wheat which warranted that sag. What have you to say about that?—A. That is, nothing that justified the sag from \$1.40 to 1.05?

Q. \$1.40, and then back to \$1.02?—A. Nothing actually, except in sentiment.

Q. Sentiment or dumping, which? The West dumped its wheat on the market at that time?—A. 75 per cent of the Canadian crop is marketed during these three months of September, October and November, and that deduction could be made.

Q. In your opinion, if the Wheat Board had been in operation again this year, and the sense of security prevailed in the West that did prevail under the Wheat Board, and no pressure had been brought upon the farmers to market the wheat during these three months, and the market had been fed as you fed it, could that sag have been avoided?—A. I would say it could.

*By Mr. Maclean (Prince):*

Q. Dr. Magill showed by these charts that with the exception of a very few months the highest points reached no more than paid the carrying charges for the other months. Could the Wheat Board hope to obtain a higher price than the highest point on these charts?—A. Your question is that the difference between the price prevailing say in December and that prevailing the following spring is really absorbed by carrying charges. Now, in addition to that, what question do you ask?

Q. If that is a fact, what benefit will the Wheat Board render to the farmers if the wheat is sold at the high price? In other words, can the Wheat Board, if it controlled the price, get a higher price on the world's market than the high point on those charts, and if that is absorbed in the carrying charges, what benefit would the Wheat Board be?—A. First of all I would say that I am not trying to build up a case for or against a Wheat Board, but I will answer your question in this way: The fact that a Wheat Board had complete control of the situation would possibly change the whole complexion of the matter. For instance, prices in September and October, according to the appendix attached to our report to the Saskatchewan Government were higher than those prevailing in December. A Board might not have any to sell in the spring time. They might, for instance, dispose of their surplus early in the year.

*By Mr. Thurston:*

Q. When the Wheat Board was in operation, what amount of wheat did you dispose of?—A. We disposed first of all of approximately 18,000,000 bushels at about the fixed price received for the wheat the previous year. We could have sold more at that particular time, but we considered that the price was low, and that holding back for a later period we would do better. But we had to clear the channels of transportation by disposing of a certain volume.

MR. PRITCHARD: I would suggest that the Stewart-Riddell Report to the Saskatchewan Government be filed with this Committee.

THE CHAIRMAN: It has been filed.

MR. BROWN: Mr. Chairman, I urge that the Committee meet this afternoon. Mr. Rice-Jones of Winnipeg is present and prepared to give evidence that will be very valuable to this Committee, but he must return to Winnipeg before we meet again.

THE CHAIRMAN: Then we shall meet again at four o'clock.

The Committee adjourned at 1 o'clock p.m. until 4 o'clock p.m.

[Mr. James Stewart.]



The Committee resumed at 4 o'clock p.m.

The CHAIRMAN: The meeting will please come to order. This morning we had not quite finished with Mr. Stewart's evidence. I would ask Mr. Stewart to come up again.

Mr. STEWART recalled.

The CHAIRMAN: I believe there are one or two members of the Committee who wished to ask Mr. Stewart a few more questions.

*By Mr. Evans:*

Q. Mr. Stewart, Dr. Magill in his evidence the other day gave the impression to the Committee that there is no more likelihood of a dent in the price-line the first three months, or during the four months when we put the bulk of our crop on the market than there is at any other time of the year because of the different crops from different countries throughout the world coming continuously on the market for almost every month in the year. You knowing the circumstances, practically, of the western farmer, don't you think that there is bound to be a dent when we put the bulk of our crop on the market in the early fall, that it would make a difference in the price the western farmer receives?—A. There may be a dent at that particular time, but as wheat gradually gets back to approximately a pre-war level the dent will be less; that is, the dent will be smaller at a \$1 or \$1.10 basis than it would be at a higher level. I shall say.

Q. But it has a tendency to come down during those months because we market our wheat all practically in that time?—A. Well, when there is a lot of wheat on the market, one would come to these conclusions.

*By Mr. Millar:*

Q. Do you care to answer any questions, Mr. Stewart, in regard to the mixing elevators?—A. I know very little about them, Mr. Millar.

*By Mr. McCónica:*

Q. Mr. Stewart, would you say that the control of the price in the selling for export of flour was necessary in order for the successful functioning of a Wheat Board?—A. Yes, sir, I would.

Q. Well, is it possible to control the price of flour under any voluntary pool system?—A. I do not see it.

Q. As I understand it, Canadian wheat is used largely for blending purposes; is that true?—A. Abroad, yes.

Q. And that consumption is substantially uniform and spread over the entire year; is that the case?—A. Yes; speaking broadening, that is correct.

*By Mr. Millar:*

Q. Do you remember the Grain Exchange, Mr. Stewart?—A. Yes, sir.

Q. There has been a general charge made. I think perhaps it might be well that it be mentioned here, because it is likely to be discussed in the House, and this statement may be referred to. I have heard it several times in the country. I do not know whether you would like to make any comment on this or not. This argument is sometimes used against the present method of marketing grain, that we have at the present time about 355 members of the Grain Exchange; I would not like to say just how many are active members and have no other means of support, but there are a great many of them; and that the total charge of those many firms and individual dealers, members of the Grain Exchange living entirely off the handling of the grain as middlemen, with their staffs of stenographers, office boys, their rentals, and all overhead charges, totals up to an enormous amount on the grain, which is taken off by

[Mr. James Stewart.]

them as middlemen. An investigation took place some time ago—I am only speaking from memory—in regard to the Nicholas Bawlf Grain Company. I remember reading the evidence at the time, and I believe this was part of the evidence. If I am not correct, perhaps Dr. Magill or Mr. Stewart might correct me. I believe it was shown that in 'four years' time, four years from the time the company was organized, their net profits were equal to the capital invested in the company; and later on, at the time of this investigation, their profits that year were \$700,000. That was just one company. Now, I don't say positively that my memory serves me correctly, but I believe those were the figures. You can easily see the drift of that argument, that in the total the tax on the handling of grain must be enormous, and that it is even too much, more than the grain should stand?—A. Well, speaking in general terms from my knowledge of business other than the grain business, I would say that it costs less to the producer to have his grain handled than any other commodity that I know of.

*By an Hon. Member:*

Q. That is, percentage?—A. That is percentage. Furthermore, during the control period I do not know of any other industry in Canada that benefited less by war prices and war conditions than the grain business did. I am saying that from practical experience as to conditions prevailing around the Winnipeg Grain Exchange during the last four years. True, there are exceptions. One or two companies or more may have been extremely successful, perhaps, in doing the right thing at the right time in the matter of buying grain or selling it at the right time and thereby benefiting very materially.

*By Mr. Millar:*

Q. I would just like to follow that up with another question. Taking into consideration the loss on street wheat, and I think I might include also the loss in the weights of cars at terminal elevators—now this has not been established; in fact, it has not been mentioned in this, yet it is charged by the farmers generally that very very frequently cars do not turn out right at the terminal elevators. The country elevator men have told me that they ship down car after car that they weigh out very carefully, and the farmers have told me the same, and when the cars arrive at the terminal elevators the out-turn in weight is sometimes 60, 70, 80, or 90 bushels below the weight at the country elevator. Now, how to account for that I do not know, because as you know it is weighed in by the Government weigh men, and I suppose you do not feel like being responsible for the sins of the Government weigh men, but that is the situation; the shortage in weights occurs.—A. You mean on cars loaded at interior Government elevators and unloaded at Government terminal elevators.

Q. No; I mean at country elevators, loaded by farmers over the loading platforms where they weigh their grain on town scales, or country elevators. I might go a little further. One man said to me a year ago, "Send word from me to your company to send a man down to take my place; I am going to quit. I am bonded to make good all shortages." I do not think that was done by all companies, and I do not think it is done by any companies at all now, but there was a time when an elevator operator in the company was bonded to make good all shortages. If he happened to be 2,000 bushels short at the end of the year that came out of his salary. He told me, "I have shipped carload after carload, weighed very carefully, and when they got to the terminal they were considerably short. I am going to quit." Well, I said, "If you are short and you must make good that shortage, you must take a little out of each farmer." He said, "I would not do that under any circumstances." But you can see he has to do it to protect himself, and, following that up I may say that I have weighed many loads and I find that very often there is a bushel taken off a load; in fact, I believe it is the usual thing to take from 30 pounds to a bushel

[Mr. James Stewart.]

off the load first and not give any account for that in the cash or storage ticket at all. Then there is so much dockage marked on the ticket, but the first bushel or 30 pounds is never accounted for at all. Now, taking into consideration all those losses and the handling charges, how does the cost to the producer compare now as with under the Wheat Board?—A. Well, the system of handling the grain under the Wheat Board was similar, to a large extent, to that at present in vogue and in vogue prior to the existence to the Wheat Board, excepting in so far as the trade during the existence of the Wheat Board acted as agents of the Wheat Board.

Q. Would there be some likelihood of shortage at the terminal elevators?—A. Well, I really do not see that there would be any difference, because the system was not in any way changed in that respect, and in so far as shortages are concerned from the West, you know better than I do that there is a certain amount of loss in weight through evaporation and so on, and in the handling of the grain in bulk from the time the farmer brings in his wagon-load and dumps it into the elevator until it is unloaded at Fort William. To give you an illustration of that, during the time I was in charge of the buying for the Allied Governments we bought a lot of the wheat in the Government interior elevators. The cars at these interior points were weighed, Government weight certificates were issued, the cars were duly sealed, and I presume the cars properly coopered before they were despatched, in fact before they were loaded, and these same cars arriving to all outward appearance with seal intact and whole in every respect, out-turned, again under Government supervision, considerably less than the amount which the original Government certificate called for.

Q. At the interior terminal?—A. Yes, sir. That is an actual experience which we have had. I would not blame any human organization for that.

Mr. JOHNSON (Moosejaw): Mr. Chairman, I would just like to ask Mr. Stewart one question, but before asking it I would suggest that it might be better for us to confine our questions more particularly to the Wheat Board than to other features of the wheat marketing.

*By Mr. Johnson (Moosejaw):*

Q. My question is this, Mr. Stewart: Did you not, and would it not probably be so again under the Wheat Board, use the existing machinery of the Grain Exchange rather than the elevator companies in the country?—A. We used the existing machinery of the Exchange practically entirely during the existence of the Canadian Wheat Board of 1919-20. I do not see how another Board could give service to-day without taking advantage of the same facilities at country and terminal points.

*By the Chairman:*

Q. Could you get these facilities? Did you get them voluntarily?—A. Yes, sir.

Q. From the Grain Exchange?—A. Yes, sir. When the Wheat Board was established in 1919 the trade responded very loyally in that respect and put all the facilities at our disposal.

Q. Do you think they would do it again today?—A. Well, there are some very prominent members of the trade, or of that branch of the trade, who are here, and they might answer that question more intelligently than I.

*By Mr. McConica:*

Q. Well, Mr. Stewart, if the entire business were put under the control of a wheat board, the elevators would have to be at the disposal of the board or the board could do no business; is that not so?—A. Well, the board could do business in a haphazard way.

[Mr. James Stewart.]



*By Mr. Sales:*

Q. You did everything through the machinery of the Grain Exchange except the marketing, did you not?—A. Yes.

Q. That is, in the trade end of it?—A. Except the buying and selling in the pit.  
Mr. SALES: You did not do that.

*By Mr. Milne:*

Q. Do you think the British buyer would shun the Canadian market if it was not controlled?—A. Judging from what we see in the Press today I would say no. The British or any other buyer would buy in the cheapest market at any time.

*By Mr. Stewart:*

Q. Mr. Stewart, we have had evidence to show that the spreads between street, track and cash wheat under the Board were very much narrower than they have been since decontrol. Would you state whether or not you consider the fact that the Board was able to regulate that at that time was due wholly to local conditions peculiar to that, or do you think that if a Wheat Board functioned again it would still be able to control or limit to narrow margins the spreads in wheat prices?—A. You mean the spreads between grades or the spreads between street values and track values?

Q. Well, I was thinking of the latter at that particular moment, but the other would come in also.—A. Well, circumstances really would dictate, the circumstances prevailing at that particular time. It is probable that the grain dealer, not having to take the risk of price fluctuation into account in his spread, could do with a narrower margin, slightly narrower. I suggest that as a possibility, but as I have stated earlier, circumstances would really govern that.

Q. Do you think that other circumstances came into play when the Wheat Board was functioning, or was that the fact?—A. When the Wheat Board was functioning the elevator operator was reasonably protected all the time against practically everything except the error in judgment on the part of his buying agent in grading into the elevator. In other words he did not have to take into account the fluctuations of the market at all, because the price was fixed. Does that answer your question?

Mr. STEWART: Yes.

*By Mr. Forrester:*

Q. As your mind was a little hazy on the question of who got the money, I would like to ask you a question about a point on which your mind will be clear. You know that a huge amount of wheat accumulated on the Wheat Board's hands, and the war conditions and the state of affairs in the Old Country let you out. Do you think that the probability would be that it might accumulate on your hands again under normal conditions, with no war to stimulate the price? What would be the consequence?—A. It would be like any other time; if you misjudged the market you would take your medicine.

Mr. FORRESTER: That is a straight answer.

*By the Chairman:*

Q. Have you any other statement to make?—A. No; I have not.

The CHAIRMAN: If there are no more questions by the members of the Committee, I will ask Mr. Rice-Jones to take the stand.

CECIL RICE-JONES called and sworn.

*By the Chairman:*

Q. Would you tell the committee your occupation?—A. I am first Vice-President and General Manager of the United Grain Growers, Ltd., and I appear as a member of the Committee of the Canadian Council of Agriculture as well as in my capacity as General Manager of the company. Mr. Chairman and gentlemen, you have heard a mass of evidence in favour of the Wheat Board, and as the time is limited, I do not propose to cover the ground by any means fully, I will try to confine my evidence to what I consider are the main arguments in favour of a Board. In the first place, I am sure you are all fully aware of conditions in the West. They have been referred to by other speakers on behalf of the organized farmers, and I do not think that there is any need for me to repeat those arguments. I think we are all agreed that the prosperity of agriculture is a national question. Wheat is the largest single product of the farm, and as stated in the memorandum presented by the Canadian Council of Agriculture, and also by Mr. Stewart, forms from 25 per cent to 30 per cent of the total exports of the country. Secondly, I do not think there can be any disagreement on the argument that it is in the national interest that we should secure the largest possible net returns to the farmer for his wheat crop. I argue the point from a national standpoint, not from the standpoint of a particular industry. The more money that can be brought into Canada for the wheat crop, and the greater net price that can be saved for the farmer is a question of national importance, especially considering the financial position of the country. Now we are dissatisfied with the present system of marketing. We do not feel, in the first place, that the wheat is being marketed to the best advantage on the markets of the world; and secondly, we believe that there is too much spread between the price that the producer receives and the consumer pays. We believe there is an unnecessary profit being taken by speculation which enters into the handling of the grain by the grain trade—I will not say by the trade as a whole but by individuals in the trade. There is also the fact that I think is beyond dispute that a large volume of grain can be marketed more economically than by a very large number of traders handling it. The individual farmer is not in a position to market his grain in the strict sense of the word. What I mean is this: After all, I contend that the wheat crop is not marketed on a scientific commercial basis. It is practically just dumped out in a heap and the buyers come and take it at the price that they set. Seventy-five per cent of it is thrown on the market in the fall. It is thrown on the market regardless of whether the market is in a position to absorb it or not. My contention is that that is not marketing grain; it is merely dumping it out, and if agriculture is going to be put on a paying basis, I feel very strongly that not only wheat, but all the products of the farm have got to be marketed on a good deal more scientific and commercial basis in the future than they have been in the past.

I feel that this question of the Wheat Board, together with the question of freight rates and the tariff, are three things that are of the greatest and of prime importance in connection with the getting of the farming industry back on a reasonable basis where there is an opportunity for the farmer to at least make a little profit. The farmer is a grower of wheat; he is not a marketer. In any case, his financial position—the financial position of the majority of the farmers does not permit them any leeway as to how they will market their wheat. They are forced by their creditors to dump it on the market. They do not market it; they dump it on the market regardless of whether the demand is there for the wheat. In my judgment—and I think every one will agree—there is only one thing that can happen. Advantage of the situation is taken by speculators in the trade to buy this wheat at a low price and reap the profit which should accrue to the grower of the grain. Even if the farmer was in a financial position to give some consideration as to when he would place it on the market, even then he is not in a position to market the grain

[Mr. Cecil Rice-Jones.]



effectively because the marketing of grain is a highly technical expert proposition, and it is absolutely impossible for thousands of individual farmers to have the technical and expert knowledge required to market his crop to the best advantage. Our whole aim is to figure out a system which will give the farmer the benefit of one of the most expert grain men in the trade to market his crop for him. It may be said, "Well, here is the grain trade; they have been marketing the crop for years." Now, I have not anything to say in a general way against the physical system of handling grain in Canada as compared with other countries, though I believe that even though I considered it a fairly efficient system there is still room for improvement, and I may say here that I am not by any means satisfied with the supervision of the regulations of the grain trade which has existed. I believe that they have been inadequate, and at times at any rate there has been a lack of efficiency in the supervision of the handling of the grain.

But to come to marketing again, it may be said to me, "Why, you represent the farmers' company!" That is true, but what is the position? We do not get an opportunity to market the farmer's grain in the strict sense of the word. He ships us his grain and says, "Sell on arrival, sell at \$1.25." We even get instructions occasionally, "Sell on the 1st May." The only opportunity we have to exercise judgment and to give service is to get the best price for the farmer at the time that he tells us to sell, and every other firm, as far as I know, is in exactly the same position. The firm merely acts on the farmer's instructions even where it is told to ship the carload on consignment and hold the grain for a time if it sees fit. The grain, immediately it leaves the farmer's hands, passes into the hands of dealers and speculators who are in a position then to actually market the grain. Now the grain trade, as I see them, are essentially traders and not marketers from the farmer's standpoint. After all, if a firm handles grain their prime interest is to make a profit if they are in the grain trade, and it is not reasonable to expect private traders to particularly worry themselves, or to expect that they will particularly worry themselves about securing the best possible price on the markets of the world for the whole crop. In other words, I do not consider that the grain trade can ever take the place, however efficient they may be from their own standpoint of a marketing system working for the farmer and acting as his marketing agency. Now we have been told, or it is at any rate being intimated and suggested that the law of supply and demand regulates the world's price of wheat, that that price is represented by the Liverpool price and that the Winnipeg market follows it out. In a general way, we will agree that that is correct, but it is not correct in its entirety. There is a stage in between the time that the grain leaves the farmer's hands and when it gets on the markets of the world, and there are those intermediate influences which are there to interfere with the farmer himself securing the world's market price for his grain. Now in that respect I have the corroboration and support of Mr. Sanford Evans, who, I think you all know, is an authority on the grain trade. In his report on the Georgian Bay Canal Commission, Sessional Papers 19B, Part 2, Volume 51, No. 14, year 1916, on page 51, at the bottom of the page, we find this:—

"The primary markets of the world are those most directly in touch with, and therefore of most immediate importance to, the world's producers; and it is by the selling pressure in primary markets exerted against the buying pressure from ultimate consumers that the course of prices is chiefly determined, although this course may be modified by many intermediate agencies."

There is the point. Further, on page 53, we find the following:—

"What, now, is the relation between these Canadian market peaks and wheat prices? If diagram 8 be again referred to, it will be perfectly clear that we are here dealing with a method of marketing which is not at all in accordance with the general law of consumption demand."

[Mr. Cecil Rice-Jones.]



That is just exactly what we claim, that the method of marketing is not at all in accordance with the general law of consumption demand. Again, we find on page 24 this statement:—

“Diagram 12 makes two almost startling revelations. First, that western Canada sometimes puts upon the market in a month much more hard wheat than the United Kingdom, the only important consumer of its surplus, will purchase of all kinds of wheat and flour from all the world; and, second, that the United Kingdom purchases regularly and heavily during many months in which western Canada has practically nothing to offer.”

On page 53 we find the statement that during the period under review the United Kingdom was the purchaser of over 91 per cent of all the Canadian wheat export. These are only extracts from Mr. Sanford Evans' report and it may be argued that it is unfair to pick out particular extracts; but I would like you, if you are interested, to read this whole report which is a very strong case, in my opinion, in favour of the Wheat Board. Now, we have been told by Dr. Magill that large quantities of grain are generally sold before the crop is harvested. That is just exactly what we claim. Now, who sells it? Does the farmer sell it? In very very few instances. The dealer sells it. Why does he sell it? To make a speculative profit. Now there is nothing illegal about speculation. I have heard men hammer the Grain Exchange or members of it who speculated. Now, I do not want to leave the impression that I am trying to hammer anyone because of that, because speculation is legal. But I claim that from the standpoint of the farmer it is a poor proposition, that the speculator is making money out of the grain which the farmer should be making for himself, and which he could make under a Wheat Board or the pool system. I will make this statement, and I consider that in this point one of the strongest parts of our case exists, that there are some individuals and firms on the Exchange who make considerable amounts by speculation in grain. It is to eliminate this speculative profit—I mean the speculation—and save this money for the producer of the grain and to market the crop on a commercial basis that we are asking for this Wheat Board. Now, there has been some suggestion, or some question, as to whether this request for a wheat board is a temporary proposition or not. In order to clear that up, I want to give you a little of the history of developments that have led up to this request. Most of you know that in the year 1920, when the Wheat Board was abolished, every effort possible was made by the executive of the Canadian Council of Agriculture, of which I happened to be a member, to get the Board reappointed to handle the 1920 crop. We were successful in getting that enabling legislation passed, but failed to get the Board renewed. After that, the question of marketing wheat was taken up at the different conventions of the farmers' organizations in the various provinces, and it was decided that as we could not get a Wheat Board we would try to organize a pool. A committee of the Canadian Council of Agriculture worked on it for several months, but found that because of the several crop failures we have had and the financial position that so many of our farmers have got into, a voluntary pool would be totally inadequate under those conditions. Consequently, it was decided to ask for the reappointment of the Board as a temporary proposition for one year. I have been out to several meetings in this last month and have met from 1,500 to 1,700 farmers, and this question of the Wheat Board was discussed at every meeting, and while no resolutions were passed, the statement was freely made that they did not favour the Wheat Board as a permanent proposition, and I have not found the least indication in the country anywhere that there is any desire for it as a permanent proposition. As far as I am personally concerned, I would be opposed to it as a permanent proposition. The farmers are asking for a Wheat Board as a temporary proposition to tide things over until they can organize a pool of their own.

[Mr. Cecil Rice-Jones.]

Further, in connection with the marketing of wheat, under the system we have been operating, we have had thousands of individual farmers trying to compete in selling their wheat against comparatively few buyers. That point was covered by Mr. Stewart in a little different way. To my mind it is an impossible proposition. Thousands of individual sellers of any product simply cannot compete with comparatively few buyers; the comparatively few buyers can get the best of them every time. At the present time conditions in Europe are not back on a normal basis. You all know the financial condition in Europe. There is no need for me to refer to that. Because of that financial condition the grain trade in Europe has not been able to get back even yet on a pre-war basis, and there is still a certain amount of Government supervision or control in some countries. At the present time we have not even the advantage of selling the wheat under pre-war conditions. I think it is absolutely essential for the farming industry to have some way of marketing their wheat on a really commercial basis, and feeding it into the market as the market can take it. There is not a business man nor a manufacturer in this country that would think for a moment of trying to market his product as we have had to market our wheat and other products in the past. Of the business men I have talked to in the West 90 per cent are in favour of a Wheat Board as well as the farmers, because they realize how badly it is needed, and that from a business standpoint it is a fair proposition, and a question of national interest and importance.

*By the Chairman:*

Q. When you speak of a Wheat Board, do you mean a compulsory board?—A. Yes, a compulsory board. I am coming to that now. There have been questions asked as to whether a voluntary board would not be just as good. We believe it would be absolutely and entirely inadequate under present conditions. Since I have been in Ottawa the question has been put to me: "If a man would not support a voluntary board, why would he support a compulsory board?" I do not see any argument in that. With a voluntary board, what is the first question that comes to the mind of any farmer? "Well, how many farmers are going to support this board?" He has his doubts, and he immediately gets to the point where he starts to figure whether he cannot do a little better by selling his own wheat, because he is afraid there are so many other farmers who will not support it. If he thinks he sees the least chance of doing a little better, he is liable to try to do so, and thus help to develop that very effect which he is afraid will take place because of other men not going into the pool. Secondly, there are hundreds and hundreds of farmers who are not in a financial position to support a voluntary pool, because their creditors would not allow them to do so. I have talked to two men within the last few weeks who are working for concerns who are creditors of the farmers, and their view is that there will never be a year when there will be a greater effort made by all concerns to whom the farmers owe money to be the first on the job to try to get their bills paid. Under conditions of that kind a voluntary pool would not help the men at all who need it worst, because those men could not put their wheat through it.

There has been some argument made against the compulsory board by the gentlemen who are in the grain business. I must confess that I have not heard any very strong argument against it yet. One thing I have not been able to understand: During the old Wheat Board all companies received the same handling charges, and in fact, because the carrying charge on street wheat was taken from the time the elevator took it in, the storage worked out at a little more than it did in pre-war periods, as far as I remember. I know that our company made just as much profit as they have since, and in fact, slightly more per bushel than we have made some years under the operations of the open market. If there are no concerns in the grain trade that are not making anything more than these charges would allow, why are they opposing the re-establishment of the Wheat Board? To my mind there is the fact, that under the

[Mr. Cecil Rice-Jones.]



Wheat Board we made a fair profit per bushel on the grain we handled and showed a fair and reasonable profit at the end of the year. There is no reason that I know of why every other firm on the Exchange should not have done the same thing. If that is the case, why are they opposing the re-establishment of the Wheat Board. It would look as if some of them at least must have made, in years when we did not have the Wheat Board, more profit than could be made by reasonable handling charges and a reasonable profit on the amount of grain they handled.

I was going to deal with the cost of flour to the consumer, but Dr. Magill and Mr. Stewart have, I think, completely cleared that matter up, so I do not think it is necessary for me to touch upon it. There was a statement made to the effect that while a large percentage of wheat is admittedly shipped to Fort William in the fall, a considerable quantity of wheat is held by farmers. This argument was made in an attempt to show that the wheat was not dumped on the market in such a way as might adversely influence it. I have here a chart—I am sorry I have not got it made up in the nice form that Dr. Magill had his charts made up—in Mr. Sanford Evans report. (Diagram No. 13, pp. 56.) I do not know whether you can see it. There are the years 1909, 1910, 1911, 1912, 1913 and 1914. Here (indicating) are the deliveries at Fort William, these black lines. Here are the shipments at the bottom. This chart will be available to all members here. It is quite easy to figure out approximately how much we shipped out as compared with how much is delivered. In fact, I figured it out roughly myself—I will not guarantee these figures to be correct to a percentage—that in the four months in the fall of 1909 (September and December,) the deliveries were 50,000,000 and the shipments 46,500,000.

*By Mr. Millar:*

In and out of the terminals at Fort William?—A. Yes. Take the three months, October, November and December, the deliveries were 39,000,000 and the shipments 41,000,000, the shipments being 2,000,000 more than the deliveries. In 1910, taking the four months, the deliveries amounted to 46,500,000 and the shipments were 36,000,000. Taking the three months of 1910, the deliveries were 38,000,000 and the shipments 32,000,000. In 1911, taking the four months, the deliveries were 60,000,000 and the shipments 50,000,000. Taking the three months of 1911, the deliveries were 55,000,000 and the shipments 45,500,000. In 1912, taking the four months, the deliveries were 64,000,000 and the shipments 58,000,000. Taking the three months, the deliveries were 62,000,000 and the shipments 55,000,000. In 1913, taking the four months, the deliveries were 104,000,000 and the shipments 95,000,000. In the three months of 1913 the deliveries were 85,500,000 and the shipments 89,000,000. Those figures speak for themselves.

*By Dr. Magill:*

Q. Are they the figures for the country elevators?—A. No, terminal elevators; the deliveries at Fort William and Port Arthur and the shipments at Fort William and Port Arthur. The statement has also been made that Great Britain's weekly deliveries of imported wheat are about equal all the year around, this point having been mentioned in an effort to show that it would make no difference at all to the price of our wheat whether it was dumped on the market in a week or fed to the market in a commercial manner. These deliveries that the British take all the year around are not all hard spring wheat. That is a fact that was not mentioned. We have a country here that raises a very high class of hard spring milling wheat, and a comparison on an even basis with all the other wheats of the world does not, in my opinion, prove anything. My view would be that surely, having a country with this high-class product in it, it would be in the interest of the whole country that we should take advantage of the fact that it is in such demand by millers in Great Britain for blending purposes, and it should be marketed on a specialized basis, and full advantage taken of the fact that it is such a high-class wheat.

[Mr. Cecil Rice-Jones.]



The suggestion was made in connection with that, that the Winnipeg market followed Liverpool. In this chart by Mr. Sanford Evans the black line is the Liverpool price and the red line is the Winnipeg price. You will notice that in 1909 where the market goes up the Winnipeg market is almost the same as the Liverpool market, and of course, the statement will be made, which I will accept in a general way, that the Winnipeg price at that time was not on an export basis. I claim this, that you cannot in any way explain these extreme differences. The black line is the Liverpool market and we are told that the Winnipeg price in a general way follows Liverpool, I contend from that chart that the Winnipeg price even in a general way, does not follow Liverpool, that there are times when it is out of line.

In connection with that Mr. Sanford Evans points out the following—this is as regards the price at Liverpool:

“A spread in price between the two exchanges is necessary if business is to be done between them, the spread being at least sufficient to cover all costs of the transfer of wheat from the elevators at Ft. William and Pt. Arthur to dock-side Liverpool. The spread is actually slightly greater than appears in this diagram because No. 1 Northern Manitoba wheat, quoted at Winnipeg, is above the standard on which the Liverpool quotations are based, and commands a small premium, about one and one-fifth cents per bushel when delivered on Liverpool contracts. Where the two price-lines overlap, or are very close together, after allowing for the premium as above, it is evident that no export business was being done by Canada or could be done. The spread between the prices becomes extreme toward the end of 1912 and toward the end of 1913.”

Then he goes on to deal with that. Now, we will be told, for instance that where there is an extreme decline there is a reason for it; that something happened; there was an extra supply of wheat over there. There is always a reason that can apparently be given; but my contention is that when there is an extra supply of wheat over there, surely it would be good business for us to withhold some of our wheat such as was done by Mr. Stewart, instead of having to calmly dump it on the market as we do every year regardless of whether there is a market for it or not. The importer buys it, and either the importer or the speculator buys it at his own price.

Now, I also intended to deal with Dr. Magill's comparison with the Minneapolis prices of wheat, with the price that the Wheat Board paid, but Mr. Stewart covered that. Though I did not have the information that he had I at least was aware that Minneapolis is the largest milling centre in the world, and I hardly felt that it would at any time be fair to compare the average price of wheat delivered at Minneapolis, which is the largest milling centre in the world, with our whole Canadian wheat crop. As a matter of fact, as you all know, the report of the Wheat Board states that the Canadian farmer received 25c. per bushel more for his wheat on the average than the United States farmer did the same year. In connection with this fall price, the comparison of the price in the fall with the spring and summer prices, the prices quoted by the Stewart-Riddell report were given as evidence to show that the price from January to August, if you deduct the carrying charge, was not always greater. But I do not imagine that this report was prepared specifically in a definite form to secure a wheat board, and to my notion, to make a fair comparison, the September price should not be included. You should take the October, the November and the December prices, which is when the bulk of the farmers' wheat is delivered in an average season. If the average price for these three months is taken—in fact you can examine the charts which speak for themselves as to whether the price is not always down when the farmer has to sell the bulk of his wheat. Further, the fact was not mentioned that especially if there is a fairly big crop, when you come along to December the elevator concerns are buying on the basis of the May option, and there is a lot of wheat sold in December on the basis of the May option, which

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for many years during the war did not have a carrying charge for December. I notice that on the charts that are in this pamphlet the October option is not shown. Here we will have the same spectacle no doubt this year if we do not have a wheat board that if the prices are reasonably good for a declining market this fall there will be lots of farmers' wheat sold in July before they are able to harvest it. As I say, I do not take any exception to that. It is not illegal, but we do claim that it is no more than good business to do that for himself. The argument has been raised. "You are talking about speculators, and the farmers want to speculate." If a man grows potatoes in the field and holds them till the spring, do you call that man a speculator? There is a whole lot of difference between marketing produce that you grow on the farm on a commercial basis—that is merchandising it and buying it and not speculating with it—an altogether different proposition. I do not believe there is a business man in this country that will argue against a farmer from a business standpoint feeding his produce to the market on a commercial basis. That is merchandising, not speculating; but when the produce gets into the hands of someone who did not grow it, then it is speculating.

There was one argument that there were low prices in almost all countries at the time that the farmer's deliveries were heaviest. That is a strong argument for the wheat board, to my notion, because it seems that the farmers are getting it in the neck in other countries the same as they are getting it here. There was also a comparison made with other industries. It was said that if the farmers had a wheat board, why should not the lumber industry have a lumber board? There is no comparison whatever, because there is no other industry—no manufacturer, so far as I know, who is forced to dump his produce on the market in the way that the farmer has. While the farmer has all kinds of other produce, there is no suggestion that we want to market any other kind of produce. But with the large amount of wheat that is raised, and the fact that 25 per cent. of the total exports of Canada is wheat, we feel that it is a big enough proposition to be a national question, and that it is in the national interests for us to have the wheat board. We have no desire to unduly interfere with any other business. I do not think that anyone wishes to disturb any legitimate interests in the grain trade or to make things disagreeable for them. I would be in favour of giving every due consideration to every branch of the trade that is doing a proper and necessary business and rendering proper and necessary services as a great many of them are.

Now, summing up, the benefits in brief would be these: To the farmer it would prevent a large volume of wheat from being forced on the market in the fall by reason of circumstances over which the farmer has practically no control whatever. I contend that it would be a benefit to the creditors of the farmer. They would know that every farmer was going to get the average price for his wheat. There is no doubt that on the whole the spreads between the grades would also be narrower. They would be able to do more fall work on the land, and haul their wheat in the winter when they were able to haul it at considerably less cost. Because, after all, what happens at the present time? The men who live eight, nine, ten, twelve, fifteen or even twenty miles from town are hauling their wheat in the fall through pressure on the part of their creditors when they ought to be working on the land, getting ready for the next spring's work. Under a wheat board, the wheat would still be delivered by the men who live close to the town and they could haul from the threshing machine to a considerable extent. The question of threshing was brought up. That is a matter to which our Company has given consideration. This last winter we had a meeting of about 80 threshers in our office in Winnipeg. I will merely give you my personal opinion. I have been farming for about 20 years, and I think I know a little about it; and in my opinion it is the system of marketing wheat that has forced up the price of threshing. Well to go back, all you men who have been here any length of time will remember that we used to have a few big machines in the country that carried their own crew and could do a big day's work and thresh all fall. What

[Mr. Cecil Rice-Jones.]



happened? Because the men who were on the end of their run got the low price, every man got tired and bought these small threshing machines. I do not know of any way in which you will get down the price of threshing, except in so far as the cost of labour goes down, unless you get back to where you can thresh with a big machine and give the thresher a run that will insure him and give him a good season's work. Only then, so far as I can see, will we be able to cut prices a great deal. I have not seen many threshers—I never owned one myself—I have never seen any getting rich; I have seen more go broke than I have seen get rich.

Now, I have given you my views on the Wheat Board. It is now not only a question of the merits of the board. This legal question has arisen, and the decision of the Manitoba Appeal Court in connection with this case, the case of the Manitoba Grain Company, whereby they declared a section of the Grain Act *ultra vires*, plus the opinion of the law officers of the Crown, has completely undermined the Grain Act. To the eastern members I would say that it is absolutely imperative that something be done to re-establish the Grain Act, in some way. This clause that was declared *ultra vires* is the clause connected with licensing and bonding, and under such conditions, without any Grain Act, there would be undoubtedly hundreds of mushroom firms and individual grain dealers springing up in the West with the result that there would be undoubtedly a tremendous loss to the farmer. We have illustrations of losses every year to farmers through small concerns becoming insolvent. I merely mention that. We have always looked on the Grain Act as the protection of the farmer in the grain business. Here we have it declared to all intents and purposes *ultra vires*. I am informed by solicitors that there are no doubt other clauses that may also be declared *ultra vires*. When that matter is taken into consideration from a legal standpoint it seems to me that the wheat board should also be considered at the same time.

In conclusion I would just like to say that I feel that the whole question is this: as to whether a farmer has the right to market his own product if he sees fit. That was the intention of the farmer, to market his own product through a pool. However, because of bad crops and financial conditions we were unable to work out a plan. We are merely asking legislative assistance for one year in order to tide us over until we have a crop or two to get back on a basis to where the farmer can handle his own crop through a pool of his own. Thank you, gentlemen.

The CHAIRMAN: Does any hon. member desire to ask Mr. Rice-Jones any questions?

*By Mr. Millar:*

Q. To put a big question in a few words, would you like to tell us how the mixing elevators affect the producer? My opinion after giving it some study for several years is that the mixing of grain in itself is not detrimental to the farmer. Putting it in another way, I am of the opinion that if mixing were prohibited absolutely, to-morrow, the farmer would not get quite so much for his grain. I do not think it is the mixing that is wrong, but the abuses of the privileges of mixing that are wrong. To my mind, it gets down to a question of supervision. You all know the spread that has existed between No. 2 and No. 3 Northern wheat during these last few weeks, especially. I have not found anyone yet that could give any satisfactory reason for that spread. Someone mentioned here that a complaint had come over from the United Kingdom about the quality of one shipment at least of our No. 3 Northern wheat. If there was something seriously wrong with that shipment there must be something wrong with the outward inspection of the grain at Fort William and Port Arthur. I have no criticism to make of the inspection at Winnipeg. I think the supervision there is as efficient as we could hope to get; but these examples make it appear as if there has been a lack of supervision and inspection at Fort William and Port Arthur. A complaint was made by one of the millers' representatives, Mr. Labelle, I think, about the mixing of grain. Mr. Labelle's only objection is that he cannot mix

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it himself. He would like to get the straight wheat so that he might mix it. I think it is generally known that before we had very many mixing elevators at Fort William and Port Arthur, for some years, at any rate, a very large percentage of our wheat was mixed in the United States and shipped over to Europe. As I see it, if the mixing is going to be done, you may as well do it in this country, and do it for the millers instead of permitting them to mix it.

*By Mr. Millar:*

Q. The Old Country trade got to know that the grain received from the United States ports was not as good as that received through Canadian ports. I do not think that argument will hold?—A. Of course, at the present time the tariff is on and our wheat cannot go over there, but if you are going to have the quality of our wheat destroyed so that it will injure the reputation of our product, would it not be better to allow the mixing to be done here under proper supervision, and thus prevent it being put out below standard? If you allow the grain to go out below the average standard, then mixing is an injury and a detriment to the farmer. He is going to lose money. The reputation of the grain will be injured, and we will get lower prices for it. To be on the safe side, I think we should insist on samples from the mixing houses, and private elevators being a little stronger than an average sample. Under those conditions I think it is better to allow the mixing to be done here rather than to permit it to be done in other countries. I understand a lot of that grain was shipped out as Canadian grain. That is bound to injure the reputation of our wheat, and we have no control over it.

Q. I agree that in the lack of proper supervision lies the difficulty rather than in the mixing. The grain that was mixed in the American ports and did not arrive in a satisfactory condition in the Old Country markets was oftentimes mixed after it got off the United States seaboard, mixed in floating elevators on the water?—A. It is hard to prove on paper that the farmer is getting any more for his grain than he was when there were hardly any mixing houses, but my general observation of spreads is that especially with a low-grade crop the spreads would be a little narrower than they were or would be with the same kind of a crop without the facilities to handle and mix. And in the case of the mixing elevators, we always pay a premium of half a cent to one cent a bushel, and sometimes a little more, for all the grain we take in; I understand there are some other firms that do the same thing.

Q. I suppose we all realize that a substitution of poor cars for good ones would be detrimental to the interests of the producer. You know to what I refer?—A. Yes. Well, it seems to me it all gets down to a question of outward inspection, and as to whether the inspection department will allow the general average to be below an average standard.

Mr. JOHNSON: Even under the Wheat Board or under the open system it will not materially alter the mixing feature. I would point out that the mixing feature is not relevant to the establishment of a wheat marketing system.

Mr. MILLAR: Let us clear that point up, whether it is relevant or not, if the Chairman will permit.

Q. The selecting of good cars from the general trade as it goes forward, and putting the poor cars back in their places will degrade what is left. What is left is going to the public elevators, and on to the British market, and is deciding the price we receive. There is no doubt that will occur if it is done extensively?—A. In my opinion it gets down to a question of the supervision of the trade.

*By Mr. Forrester:*

Q. You made a statement here a little while ago describing the conditions in which the farmer dumped his wheat on the market, and asked if the manufacturer would conduct his business in that way. I do not think there is any comparison

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to be drawn between the producer and the manufacturer, because there is a constant demand for the wheat product for breadstuffs. The manufacturer, on the other hand, finds it utterly impossible to dump his product on the market because there is no market for it. If they have not obeyed Solomon's injunction: "Trust not in riches for it availeth nothing" they will go down like a house of cards?—A. I did not raise the question of comparison between agricultural and manufactured products. The gentleman from the Toronto Board of Trade made that comparison and I replied to it. He said "If you have a Wheat Board, why should we not have a Board to handle lumber and ore and one or two other things?". I claim there is nothing in his argument, because it is a totally different proposition.

*By Mr. Knox:*

Q. I understood you to say that about 90 per cent of the people in the West who are not raising grain would favour the reappointment of the Wheat Board?—A. Yes, 90 per cent of those I have met and discussed the matter with.

Q. I wondered where you found the 10 per cent who would be opposed to it. It struck me that possibly you had in mind some people in the city of Winnipeg. I do not know where you will find them outside of that place?—A. I live in the city of Winnipeg and, of course, had to make a little allowance for the fact that the grain trade is located in Winnipeg.

*By Mr. Forrester:*

Q. I do not think there is any person in the Dominion of Canada who would object, no matter how high you put wheat and keep it there, if you would lift Canada out of her difficulties immediately. Nothing could be of more benefit to the Dominion as a whole. I do not think there is any person opposed to the Wheat Board for any reason other than that it will have the opposite effect to what you claim it will have in the matter of raising prices?—A. Who is taking the risk? It is the farmer. Surely he has the right to market his own product. You would not pretend to act as guardian over the farmer and tell him how to market his own crop?

Q. I am a farmer myself?—A. Do you grow wheat?

Q. Yes, I grow wheat?—A. You are from eastern Canada?

Q. Yes, from Ontario. I think it would be an injury to the country as a whole.

Witness retired.

The CHAIRMAN: Gentlemen, Mr. Sanford Evans has asked to be heard by this Committee.

Mr. JOHNSON (Moosejaw): Mr. Chairman, before Mr. Evans proceeds with his evidence, may I ask whether, in view of the fact that a number of us are about to leave it would be possible to determine our future activities now. I understand this is the last witness to be heard.

The CHAIRMAN: I understand that the list of witnesses is now exhausted. We are waiting for the sub-committee to report to the main committee. It was suggested last night that we would not meet again until next Thursday, by which time we hope to have a report from Mr. Johnson's sub-committee.

Mr. JOHNSON: I do not think it will be possible for us to have a report ready for the main committee before next Thursday. I had a conversation with the Minister of Justice this afternoon, and feel it is impossible for the sub-committee to present its report before next Thursday.

The CHAIRMAN: Mr. Evans does not think the time at our disposal before adjourning is sufficient to enable him to present his evidence, especially in view of the fact that several members are about to leave, and suggests that the Committee meet

[Mr. Cecil Rice-Jones.]

on Monday to hear what he has to say. If I may be allowed to make a suggestion, I think we might meet at four o'clock on Monday. As you know, it is private members' day.

Mr. JOHNSON: I think Mr. Evans and also anyone else who desires to be heard should be afforded an opportunity of presenting his evidence, but it should be borne in mind that we must conclude sometime. We cannot hope to do so until next winter if we do not complete the hearing of the evidence soon. I would draw attention to the fact that even this afternoon every man present here with the exception of three or four is a member of that group which is to a man pledged to support this movement. What are we going to accomplish? I would like to see a definite decision arrived at about bringing the evidence to a close. Mr. Evans has asked the right to be heard and should be heard, but I suggest that before we come to the last of our witnesses we should say when we are going to stop.

The CHAIRMAN: When we organized we issued a statement which was drawn up by the Committee on the Agenda to the effect that we would hear anybody who wished to be heard. Possibly we should issue another statement that we are going to bring our meetings to a close within a certain time, after which no further evidence will be taken. I do not know of anybody else who desires to give evidence except, perhaps Mr. Riddell.

Mr. JOHNSON: He is sick in Regina and cannot come.

The CHAIRMAN: Then I know of no one else.

Mr. JOHNSON: Of course, the message that Mr. Riddell is sick is now a week old.

The CHAIRMAN: I am quite sure that the Committee do not wish to deny Mr. Evans the right to be heard. Would it be convenient for you to meet on Monday?

Mr. MILLAR: Yes, at eleven o'clock.

The CHAIRMAN: I am in a rather awkward position with regard to that hour, because I cannot get back in time on Monday morning, and I do not know where the Deputy Chairman has gone.

Mr. JELLIFF: I move that we meet at four o'clock on Monday afternoon.

The CHAIRMAN: If the Committee would rather meet at eleven o'clock on Monday morning and Mr. McMaster is not here, the Committee could appoint somebody else to take the Chair.

An hon. MEMBER: The morning meetings appear to be more popular than the afternoon meetings.

The CHAIRMAN: Then we shall adjourn now until eleven o'clock on Monday morning.

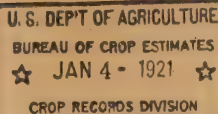
The Committee adjourned at 6 o'clock p.m. until 11 o'clock a.m. on Monday, May 1.





# APPENDIX

## EXHIBIT NO. 2



RANGE OF WHOLESALE PRICES OF NO. 1 NORTHERN WHEAT AT MINNEAPOLIS  
IN OCTOBER AND APRIL OF EACH YEAR FROM 1895 TO 1914.

Compiled from Commercial Papers.

Date.	High	Low	Average	Date.	High	Low	Average
Oct. 1895*	55.00	52.50	53.75	Apr. 1896*	62.62	58.75	60.68
" 1896*	75.00	63.50	69.25	" 1897*	77.62	65.25	71.44
" 1897*	92.50	85.00	88.75	" 1898*	116.75	95.25	106.00
" 1898*	67.00	56.00	61.50	" 1899*	72.00	68.00	70.00
" 1899*	69.50	64.75	67.12	" 1900	66.12	64.50	65.31
" 1900	60.25	73.88	77.06	" 1901	74.50	70.25	72.38
" 1901	68.88	66.00	67.44	" 1902	77.38	70.62	74.00
" 1902	73.88	68.00	70.94	" 1903	77.38	74.88	76.13
" 1903	86.00	78.25	82.12	" 1904	98.75	90.38	94.56
" 1904	122.00	111.62	116.81	" 1905	108.12	91.62	99.87
" 1905	87.12	78.38	82.75	" 1906	81.12	76.62	78.87
" 1906	77.62	74.50	76.06	" 1907	86.12	79.38	82.75
" 1907	119.75	103.25	111.50	" 1908	108.00	98.75	103.38
" 1908	105.00	102.12	103.56	" 1909	129.25	118.38	123.82
" 1909	106.62	99.25	102.94	" 1910	116.50	106.50	111.50
" 1910	112.50	102.00	107.25	" 1911	101.00	91.50	96.25
" 1911	112.38	105.62	109.00	" 1912	116.75	105.25	111.00
" 1912	92.50	86.00	89.25	" 1913	91.75	85.75	88.75
" 1913	86.62	80.75	83.68	" 1914	94.88	88.38	91.63

\* No. 2 northern.

1620.73

1678.32

Above quotations  
supplied by Department  
of Agriculture.

The following comment  
based thereon was  
prepared by the  
author and not by  
the Department

Total 1620.73 Divided  
by 19 years  
gives 85.3 cents as  
average price in  
October for 19 year  
period.

Total 1678.32  
Divided by 19 years  
gives 88.3 cents  
as average price in  
April for the 19 year  
period.

Note: Under the present marketing system wheat averaged three cents per bushel higher in April than in October. The interest on 85.3 cents ( Average October price ) at six per cent from October to April amounts to more than two and 1-4 cents per bushel alone, to say nothing of storage and insurance costs and the losses from shrinkage in weight.

## EXHIBIT NO. 3

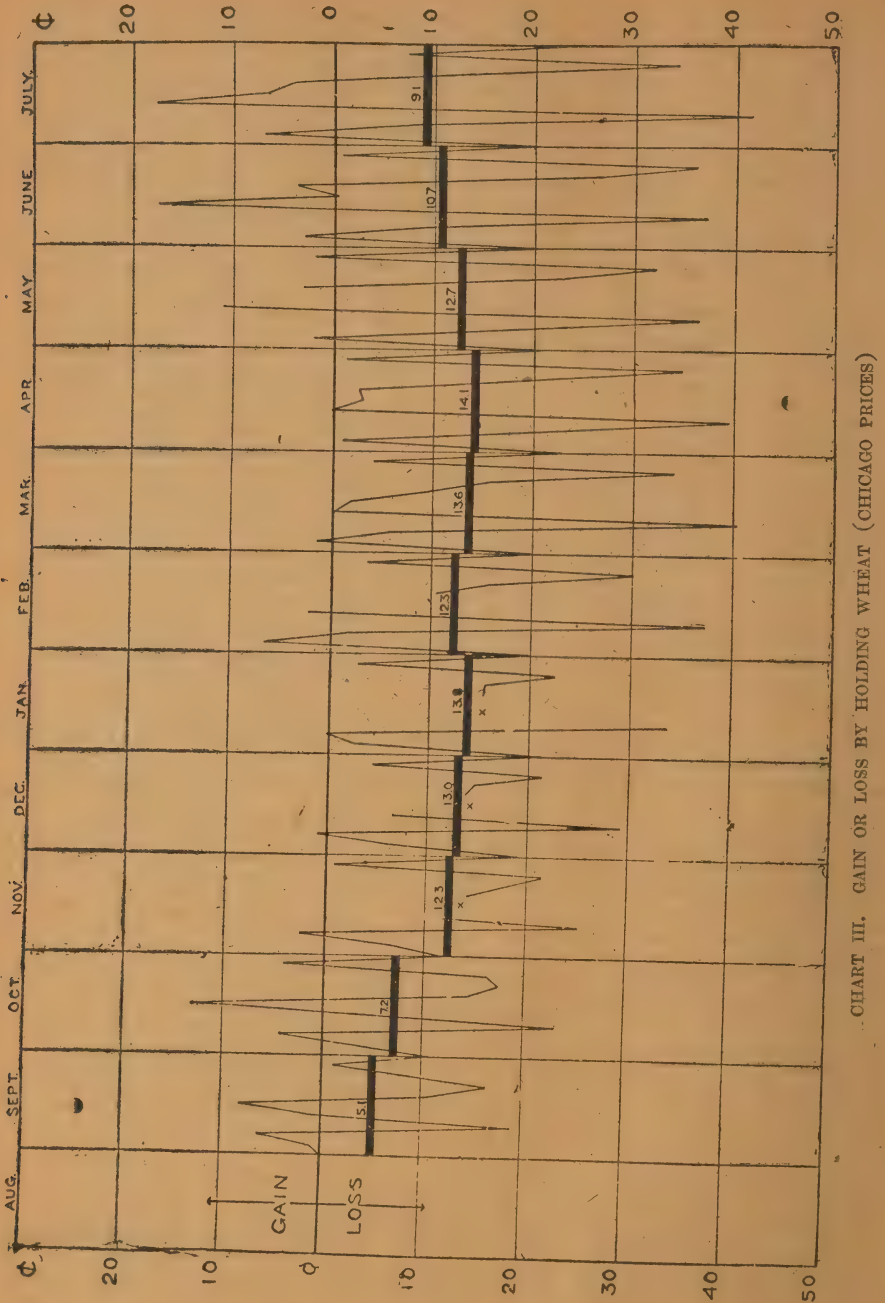
# Wheat Prices and Dairying in the Northwest

Extract from Special Report of the Federal Reserve Agent at Minneapolis, September 26, 1921.

## CHART III DESCRIBED

Does it pay to hold wheat or is it better to sell it promptly direct from the threshing machine? This is a question of great interest to every producer in this district

and one which has been debated for many years and with diverse conclusions. A statistical investigation of this question was made by Mr. J. E. Pope, of Big Timber,



Montana, for the normal prewar crop years from 1903 to 1913, and the results were published in the Quarterly Journal of Economics at Harvard University in August, 1916.



The results of this investigation have been represented graphically in Chart III. In this chart the horizontal zero line is the August price in each year. The irregular light line is drawn through and helps to locate the points representing the monthly difference above or below the August price in each year.

The monthly prices (light line) are above the August prices (zero line) in only 25 months out of the 120 in which the producer could sell in the full 10 years. Therefore 85 months out of the 120 show a loss as compared with selling for the August price. In other words, if the producer held his wheat in order to speculate on its price, he could win in but 25 months out of 110, or he would have a chance to win of less than one in four times, and a chance to lose of more than three in four times. The heavy black bars show the average net loss by holding wheat from August every year to some one of the succeeding months. Every selling month after August without exception shows a loss on the average, and the losses vary from about  $5\frac{1}{2}$  cents to  $14\frac{1}{2}$  cents per bushel. If the September prices had been selected instead of August, the conclusions would not be changed. The losses per bushel incurred on the average by holding from August every year until any one of the different months were as follows: September 5.1 cents, October 7.2 cents, November 12.3 cents, December 13.0 cents, January 13.8 cents, February 12.3 cents, March 13.6 cents, April 14.1 cents, May 12.7 cents, June 10.7 cents, July 9.1 cents; or, in other words, the producer would have gained on the average by prompt selling without holding.

The investigation covering these ten normal years was based upon Chicago prices and the figures used were computed by averaging the monthly high and low selling prices of different contract grades of wheat. Allowance was made in this investigation to cover all of the expense and loss incurred for storage, shrinkage in wheat, and insurance charges at the rate of one per cent of the August market price per month during each of the first six months, and of one-half of one per cent of the August market price per month for each of the months after the first six months, which it will be observed is sufficient after the first six months only to recover interest at 6 per cent, it being assumed best to give the holder the benefit of the doubt by not adding additional costs for holding after six months.

#### CHART IV DESCRIBED

As the foregoing study was based on Chicago market prices and on the assumption that the producer could ship and sell in August, it was thought important for producers in our district that we make a similar compilation for the normal pre-war years of 1903-4 to 1912-13 inclusive, based on the cash prices for grain in the Minneapolis market, using the September price as the basic month in which our producers could effect their earliest sales.

Chart IV represents graphically the results of this study. The figures used were computed by taking the monthly average of the daily high and low selling prices for cash sales for No. 1 Dark Northern, No. 1 Northern and No. 2 Dark Northern, and the allowance made for the expense of holding has been very conservatively estimated in order to give the producer the benefit of the doubt by holding to any one of the succeeding eleven months to which he might decide to carry the grain. The carrying charge used is the actual country elevator charge in the states of Minnesota, North Dakota, South Dakota, and Montana for storing wheat. This charge covers insurance, storage, shrinkage, and waste in handling, as the elevator guarantees to deliver an equal weight of grain at delivery as had been received. These country elevator charges are as follows:  $\frac{1}{2}$  cent per bushel for the first month,  $1\frac{1}{2}$  cents for two months, 2½ cents for three months, and an additional  $\frac{1}{2}$  cent a bushel for each additional month. In South Dakota the elevator charges vary slightly in minor details.

In this chart the horizontal zero line is the September price in each year and the irregular light line is drawn through and helps to locate the points representing the monthly difference above or below the September price in each year.

The monthly prices (light line) are above the September prices (zero line) in only 41 months out of the 120 in which the producer could sell in the full ten years. Therefore, 69 months out of the 120 show a loss as compared with selling for the September

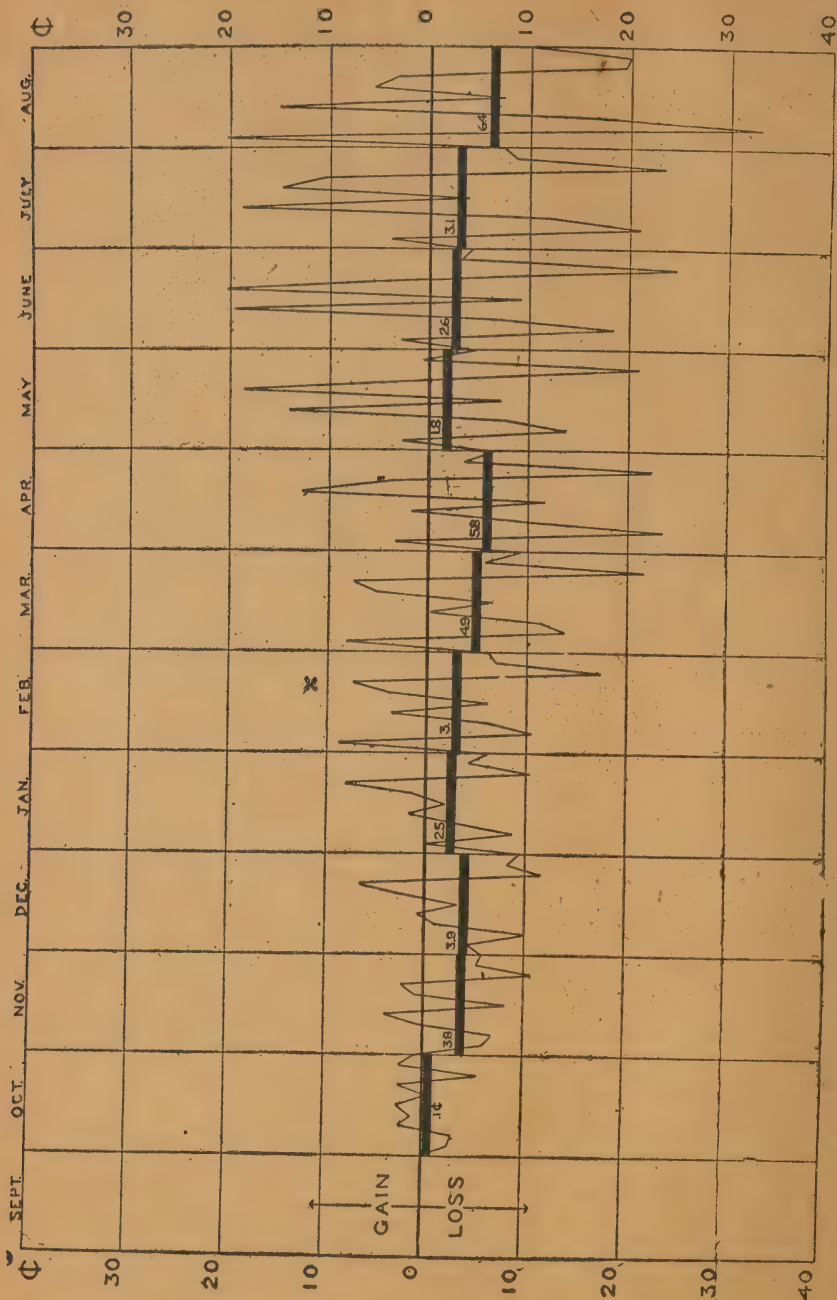


CHART IV. GAIN OR LOSS BY HOLDING WHEAT (MINNEAPOLIS PRICES)

price. In other words, if the producer held his wheat to speculate on the price, he could win in but 41 months out of 110 or a chance to win of slightly more than one in three times. The heavy black bars show the average net loss by holding wheat from

September in every year to some one of the succeeding months. Every month without exception shows a loss on the average, and the losses run as high as 6.4 cents per bushel. The losses per bushel incurred on the average by holding from September in each year until any one of the different months, were as follows: In October 0.1 cent, November 3.8 cents, December 3.9 cents, January 2.5 cents, February 3.0 cents, March 4.9 cents, April 5.8 cents, May 1.8 cents, June 3.1 cents, July 3.1 cents, August 6.4 cents; or, in other words, the farmer would have gained on the average by selling in every year without holding.

The foregoing indicates the history of ten normal years without the disturbing influence of war conditions. Whether or not the same results will be found during the succeeding ten years containing the war disturbances, remains to be seen. We shall be interested in making a similar computation at the close of the crop-selling year, 1922-23, which would give a second ten-year period for comparative purposes and would allow more time for postwar readjustments to work out their effects. We have been interested to work out such similar statistics, however, for the eight-year period from the crop-selling year of 1913-14 to the crop-selling year 1920-21, inclusive. When the Minneapolis market prices during these last eight years are computed in the same manner as we have computed the Minneapolis market prices for the ten-year pre-war period and the results combined for the 18 years, we have the following results from holding wheat which could be sold in September:—October loss, 0.7 cent, November loss 4.0 cents, December loss 4.2 cents, January loss 0.5 cents, February, loss 4.0 cents, March loss 4.0 cents, April loss 0.1 cents, May gain 6.2 cents, June loss 0.8 cent, July loss 0.5 cent, and August loss 3.3 cents. Undoubtedly, the average made for these prices during the last eight years carries a loading due to the rising tide of prices under war conditions and does not enjoy the benefit of such recessions as are bound to take place if grain prices return to the level prevailing in the 50 years preceding the war. Therefore, the conclusions shown in these figures for the 18 years have given those who believe in holding wheat the benefit of every doubt.

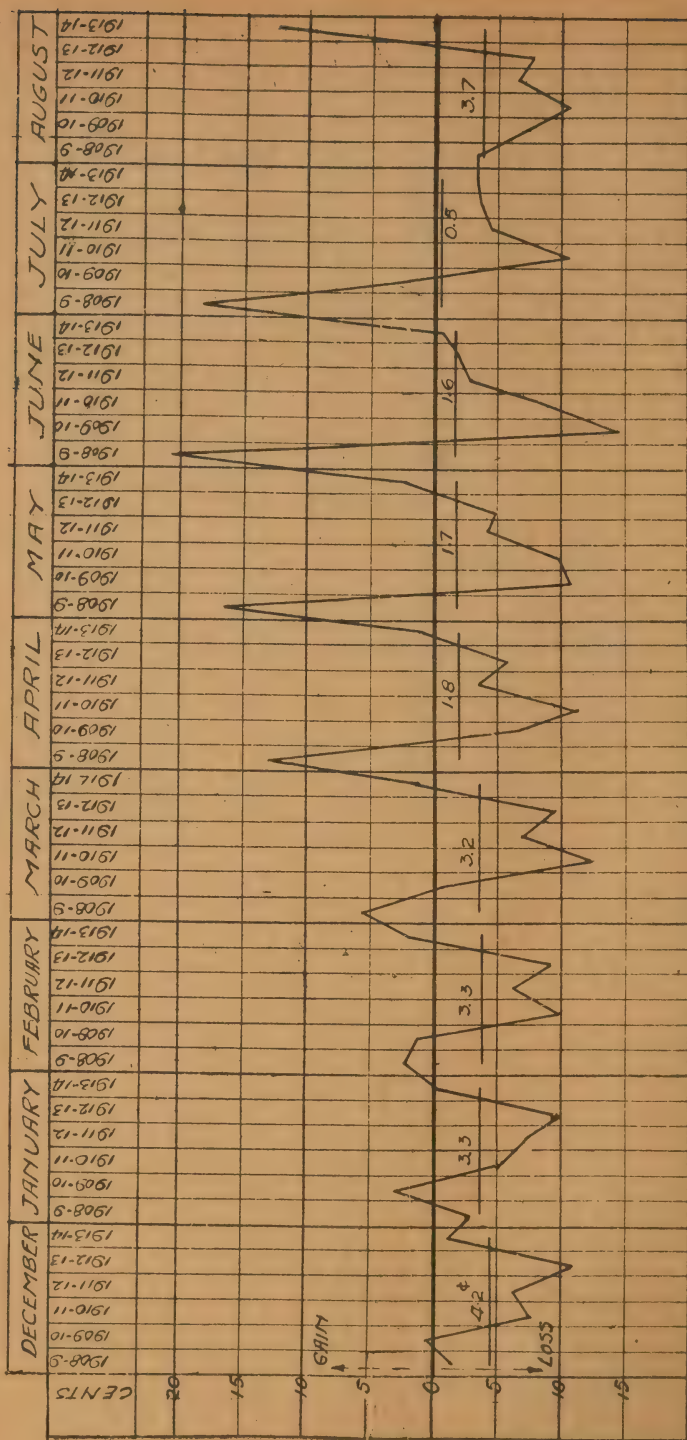
In conclusion, it should be stated emphatically that the Federal Reserve Bank makes no prediction whatsoever as to the course of prices of wheat during this year or in any subsequent year. The foregoing statistical investigation which was made nearly a year ago, has since been rechecked and is now given a wider circulation.



## EXHIBIT NO. 4

DOES IT PAY THE FARMER TO HOLD HIS WHEAT?

CHART SHEYING THE GAIN OR LOSS BY THE HOLDING OF WHEAT.  
YEARS 1908-9 TO 1913-14. WINNIPEG PRICES.



"THE HORIZONTAL ZERO" LINE IS THE AVERAGE CASH CLOSING PRICE, BASIS NO. 1. NORTHERN IN STORE FT. WILLIAM OR PORT ARTHUR, FOR THE COMBINED MONTHS SEPT. TO NOV. IN EACH YEAR.

"THE BARS" SHOW THE AVERAGE NET LOSS BY HOLDING WHEAT AFTER NOVEMBER.

SELECT STANDING COMMITTEE

JACKMAN

ON

# AGRICULTURE AND COLONIZATION

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Minutes of Proceedings and Evidence

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No. 11--MONDAY, May 1, 1922

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Mr. Sanford Evans, Grain Statistician, Winnipeg.

SEP 20 1943



## MINUTES OF PROCEEDINGS

MONDAY, May 1, 1922.

The Committee met at eleven o'clock A.M., Mr. McMaster, the Deputy Chairman presiding. Present:—Messieurs Baldwin, Bowen, Brethien, Brown, Evans, Forke, Forrester, Fournier, Hatfield, Jelliff, Johnson (Moosejaw), Knox, Leader, Léger, Lovett, Lucas, MacLean (Prince), McKay, McMaster, Motherwell, Robinson, Pritchard, Sales, Savard, Sinclair (Queens, P.E.I.), Sutherland, Warner and Wilson.

Mr. Sanford Evans, Grain Statistician and Journalist, Winnipeg, who was in attendance, was called, sworn and gave evidence. Committee adjourned at one o'clock P.M. to meet again at four o'clock P.M.

The Committee reassembled at four o'clock P.M. Mr. Sanford Evans concluded his evidence and was discharged from further attendance.

The Committee reassembled at four o'clock P.M., Mr. Sanford Evans concluded, at eleven o'clock A.M.

Arthur Glasier.

Clerk to Committee.



# MINUTES OF EVIDENCE

COMMITTEE ROOM 434,

HOUSE OF COMMONS,

MONDAY, May 1st, 1922.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock a.m., the Deputy Chairman, Mr. McMaster, presiding.

The DEPUTY CHAIRMAN: We will call Mr. Evans.

W. SANFORD EVANS called and sworn.

*By the Deputy Chairman:*

Q. What are you connected with?—A. As of interest to the inquiry, sir, during the year 1914 I was president of the Georgian Bay Canal Commission which was appointed to inquire whether it would pay Canada to build the Georgian Bay Canal. When the Government terminated that inquiry in the summer of 1917, on the ground that the question had for a term of years ceased to be a practical question, I remained in Ottawa, at the request of the Food Controller, and at the beginning became supervisor of flour mills for him and secretary of the Committee of Millers which was appointed to deal with flour problems. I continued in the latter position until the Wheat Board was constituted. During the Wheat Board year, as Mr. Stewart mentioned on Friday, I went to England for three months for the Wheat Board, particularly to inquire into the conditions in the flour market; and during the year, also at the request of the Wheat Board, I completed a statistical service for the Board, consisting of daily, weekly and monthly statistical sheets keeping up to date the facts and figures as far as obtainable of the movement and prices of wheat and grains and wheat products all over the world. At the conclusion of the term of the Wheat Board, I decided to continue this statistical work and develop a commercial statistical service dealing with grain and formed a partnership in Winnipeg. I am now a partner of a printing and publishing business in Winnipeg, one of the chief departments of which is issuing of a statistical service on grain. That indicates my position so far as it is of importance to this inquiry. For the past eight years, therefore, I have given practically continuous study to the facts and figures and to the problems of grain throughout the world. Reference has been made by more than one witness to the material contained in one of the interim reports issued by me as chairman of the Georgian Bay Canal Commission. Extracts from one of the three reports I issued have been quoted here in support of arguments in favour of the re-establishment of the Wheat Board. My own conclusions based on all the facts as I see them are not in accord with that conclusion. I would express my appreciation of the fact that material I have worked out has been considered important, but as my views were known at least to some of the witnesses and were known not to be in accord with the conclusions in support of which my material was used, and yet no mention was made of that fact, I feel, sir, it would be only fair to this Committee and to myself if I should have an opportunity of outlining my own position. Now, sir, in general my conviction is that the balance of economic argument is against the proposal to re-establish the Wheat Board. As the result of the best study I have so far been able to give to the general problem of trade and commerce, I am convinced, sir, that the open market system as a system of trade in general, tends to work more truly more equitably, and more to the advantage of society as a whole than would any system of centralized or bureaucratic buying and selling. If any system is

[Mr. W. Sanford Evans.]



not to the net advantage of society as a whole it cannot long continue to be of advantage to any important class in society.

*By Hon. Mr. Motherwell:*

Q. These remarks I presume apply to the old Wheat Board, or do they apply to all wheat boards?—A. To the principle, sir, yes. I am saying that I did not believe that any class can long obtain an advantage which is not at the same time a net advantage to society as a whole, and I know that the farmers have no desire or intention of attempting to obtain a net advantage. Some few weeks ago a farmer from Western Canada was in my office asking for some evidence and figures, and the questions he asked showed that he was taking very intelligent interest in the whole problem. He said to me more than once in the course of the conversation we had, 'No, Evans, we farmers do not want to be wrong.' I believe that is the attitude of the farmers of Western Canada and elsewhere. It is a question, therefore, of economic right and economic wrong and we must look at it in its broad aspects and see what is for or against the advantages of society as a whole. Now, I have thought that in view of that fact I should like to offer the Committee a few observations on what appears to me to be some of the fundamental and governing principles of this problem. In the first place, I should like to refer to the fundamental principle. The trading system which the world has evolved as the result of centuries of experience is based on theory at least upon free competition among sellers and among buyers. The Wheat Board introduces an entirely different fundamental principle. Any selling pool does the same thing provided it is contemplated that that selling pool will control any considerable quantity or proportion of the products to be marketed. The principle introduced by the selling pool is that of a combination of sellers to restrict or limit selling competition. If the case for the open market can be sustained as being of advantage to society as a whole, then it is rather a serious matter to consider a resort to an opposite and conflicting principle, whether for temporary or for permanent ends. If the principle of combination is accepted in respect to the selling of wheat, the people of Canada cannot object—that is, they would give up their moral right to object—to the development of combination in the selling of any other article, whether boots, implements, or anything else. If the people of Canada or any class in Canada will adopt the principle of combination in respect to the selling of wheat or anything else, there will be no moral right to object to combination on the part of buyers. In my opinion, sir, and I am offering only my opinion so that my position is clear, it would not be to the advantage of society to give up its defences against the development of the monopolistic principle. At the present time, the intention of society in all well-organized countries and all leading countries of the world to-day is expressed in statutes against combinations in restraint of trade, and we have had within the past week an interesting development in connection with this same general principle, for only three or four days ago we read in the cabled despatches that the Financial Commission at Genoa, which consists of experts and official representatives of all the leading countries of Europe, including the British Empire, had after consideration of the general financial conditions of the world, arrived at the following conclusion: "Any proposals to interfere with the freedom of the market for exchange are to be condemned." In the exchange market which, as we know, is the market dealing with money and the transfers of money all over the world, we have had and have to-day a condition more abnormal than has existed in any other market even during the war years. There are some countries where inflation of currency is still continuing, and other countries in which deflation is going on. You have a condition in which not merely is it necessary to exchange money to settle trade and other accounts, but these fluctuating conditions have caused a flight of capital from certain countries to escape taxation or to escape deflation, and the extremely serious condition which has existed in these

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respects has been one of the chief problems which led to the calling of the Genoa Conference. Yet at this Conference some two weeks ago the British Sub-Committee on Economics and Finance presented a report in which they declared that despite these abnormal conditions and the difficulties which exist to-day, they emphatically recommend not only that there should not be any attempt to interfere with open trading in the day to day transactions, but that the futures market in exchange should be left to operate freely as it is to-day; for this Committee is quite aware that you can buy and sell futures in exchange as well as you can in wheat, and you could not carry out transactions to-day which required or called for shipment or receipt at any future date unless you could buy and sell futures in exchange. We have therefore within this past week the judgment of the experts and officials of every country in Europe that in an extreme case of temporary difficulty and abnormal conditions in one of the leading markets of the world, any proposal to interfere with the freedom of the open market in exchange is to be condemned. The judgment of the world, therefore, as far as I can gather, not only from the statutes that exist but from expressions of opinion such as those, is that the open market as a general principle of organizing trading is to the advantage of society as a whole. If that is true, sir, it is a serious matter, unless a case of extreme crisis should be established, to interfere with that principle and by adopting another principle tend to weaken in Canada our right to defend ourselves against the development of the closed market principle in any line of trade.

Mr. WARNER: Mr. Chairman, are questions in order at the present time?

The DEPUTY CHAIRMAN: I would like the witness to express his desire as to whether he would prefer to make his statement and then be questioned, or to be questioned as he proceeds.

The WITNESS: I would prefer to be questioned at any stage, provided the questions are relevant to the subject then being discussed.

*By Mr. Warner:*

Q. I would like to ask you whether you are aware of the fact that the men who are asking for the Wheat Board agree with your idea, generally speaking, and are only asking for its re-establishment as a temporary measure to get over what they think is a crisis?—A. Yes; I am aware of that, and that was very clearly expressed by Mr. Rice-Jones on Friday. He said, as I have his words here: "I would be opposed to the Wheat Board as a permanent proposition. The farmers are asking for the Wheat Board as a temporary proposition to tide things over until they can organize a pool of their own." Those, I think, were his exact words. I accept that, but that makes the situation even more serious than if we were debating this as a permanent change in policy. It seems to me that only the most extreme case of need could justify taking from under the whole structure of society's trading organization the fundamental pillar of the open market, and using that to fill up a little local or temporary ditch. I do not believe that we could ever put that pillar back again if we wanted to, so as to make the structure secure in Canada at least for many years to come. If the arguments in favour of a Wheat Board such as those I have listened to for the most part during this past week are sound, then they would seem to establish that the Wheat Board should be a permanent proposition; and those arguments perhaps may have proved too much or they may not have proved enough. Even if a temporary crisis exists, and it has existed, there is no doubt, I have given the illustration of the temporary crisis in the world's money market, and the decision of the world upon it, and it is my view that it is a very serious matter to consider this change in fundamental principles provided it can be shown that the general tendency of the working of those principles is for the advantage of society as a whole, and therefore, for the interest of the farmers.

[Mr. W. Sanford Evans.]



I should like to-day, if I may, to give a few of the facts which seem to me to show how the open market system does tend to work in the wheat markets. We must look at the whole wheat problem from a world's point of view, because I believe there is probably no article of commerce which has as truly a world market as has wheat. The general situation with respect to the production of wheat, as we all know, is that some 92 and a fraction per cent of all the wheat in the world is grown in the northern hemisphere, and a little less than 8 per cent is grown in the southern hemisphere. About 75 per cent of all the wheat in the world is grown in the northern temperate zone. That is, in four months of the year there is harvested three-quarters of all the world's supply, and in the remaining eight months of the year the other quarter. As wheat is consumed every day in the year with an approximation to regularity, the first fundamental fact in the world's situation is that the world must provide for a very extensive carry-over of wheat.

*By the Deputy Chairman:*

Q. Carry over from what?—A. From one period to another. When the Canadian crop, which is one of the latest to be harvested in the northern hemisphere has been reaped there is at that time in the world the greatest quantity of wheat that exists at any time in the year, and 92 per cent of the total quantity of available for the year is then substantially known to have been harvested. There remains doubtful only 8 per cent practically that comes on during the balance of the year. We have therefore of necessity as a fundamental condition in the grain trade the question of the bulk of the supplies becoming available at one fraction of the year and the necessity of making supplies last out the year around. How now does the world's system of open trading in wheat which has been in effect handle this distribution? I may use these charts which I loaned to Dr. Magill and which he did not have time to refer to the other day. Of course, the wheat grown in a country which is consumed in that country itself is a local question of storage and distribution.

Q. Were those charts made especially for this hearing, or for prior investigations for another purpose?—A. These are from diagrams from the first interim report of the Georgian Bay Canal Commission.

Q. When you made them you had no idea you were going to be called before this Committee for the purpose of discussing the re-establishment of a Wheat Board?—A. These were first made about the year 1914 or early in 1915. I think it was in 1914 I drew these up with the idea of forming a picture for my own mind of how the world distributed its wheat. This takes in the world's shipment of wheat, that is wheat as it enters into the international trade. I may state, Mr. Chairman, that in discussing these charts I may use language that will not appear intelligible on the record.

Q. Then after you have explained the charts, you had better give the conclusions you draw, and the reporter can record them?—A. Yes. There are 52 columns in this chart for the 52 weeks in the year. I took the world's shipments in the first week in January in each of the nine years from 1905 to 1913, and averaged that to secure the average quantity shipped in the first week in January, and so on for each of the weeks of the year. The result of these total figures shows on the average how much exporting countries ship to importing countries in each week of the calendar year. The total figure shows shipments to all countries. From this white line to the base shows the proportion of the whole which was shipped to Europe. Then I took this European figure and divided it into the shipments to the United Kingdom, which is the largest single market for wheat in the world, and to the continent of Europe. These two figures put together make the figure from the white line to the base; these are the shipments to non-European countries. It is noticeable that there is a reasonable approximation of regularity in the weekly shipments to the world as a whole. This is particularly striking in the case of the United Kingdom. It is hardly conceivable that you could get a much greater degree of regularity in the

[Mr. W. Sanford Evans.]



distribution of a commodity that is indicated on that chart. There is more diversity, greater differences in periods on the continent of Europe. There are some probable explanations. This diminution in imports comes just at the period of the year when the new European crop has been harvested. They require less wheat at that time of the year. This is a little greater in the fall of the year than in the other period of the year. There are two considerations to be taken into account there. In the first place, Central Europe in so far as it imports wheat uses very largely its canals and rivers, and it always imports more before they are closed up. That would partly account for drawing their supplies at that period, but these differences, after all, are very slight, and if you take one-half of the year and compare it with the other half, there are only seven million of bushels of a difference.

*By the Deputy Chairman:*

Q. Seven millions out of how many?—A. Between five hundred and six hundred million bushels. They are practically the same. The tendency of the world system as shown by the average facts of pre-war normal years is that it distributes the wheat of the world with almost absolute regularity. Now, if that is a fact, we want to see how that total is made up from the other countries which contribute supplies.

Q. Before you pass on to the next chart, would you just dictate to the reporter the gist of your explanation of those charts?—A. Perhaps I had better give the number of the page in the reports in which those figures occur. These are diagrams appearing on pages 47 and 49 of the interim report of the Georgian Bay Canal Commission published in 1916. The first figure is in diagram No. 8.

Q. That is figure 1.—A. Figure 1 is in Diagram 8 and gives the weekly world's shipment of wheat on the average of 9 years, 1905 to 1919. On the whole it shows a remarkable degree of evenness and regularity in the shipments. The proportion of the world's shipments which we ship to Europe is indicated on the white line of the diagram, and in figures 2 and 3, these shipments to Europe are divided into shipments to the United Kingdom and shipments to the continent. In the case of the United Kingdom, the regularity of the shipments is strikingly manifest, and in the case of the continent of Europe, there are two periods in which the regularity is less marked, the first one being the mid-summer and early autumn period, at the time when Europe has on hand the first of its own crop of wheat; and in the autumn, a somewhat larger quantity than the average is shipped to the continent, perhaps largely due to the fact that the movement of grain to Central European countries largely passes over its rivers and canals, and extra supplies are taken before navigation closes. Taking the world as a whole, for those nine years on the average, there is a difference between the shipments in one six months and in the other six months of only some seven million bushels in the total.

*By Mr. Johnston:*

Q. Is it your opinion that it is a desirable state of affairs that the distribution should be so even over the months?—A. It is, and there are a good many reasons for it.

Q. It is your opinion that it is a better system; that the more evenly it can be distributed the better?—A. Exactly. Taking the world as a whole, and that it is more expensive to store at the end of the journey than it is at the beginning. It would not be economical for the world, provided Europe could take all its supplies and store them. It would be a waste of money. You would be storing interest on your freight rates and everything else in the meantime; and moreover, even if the financial difficulty did not exist in that respect, you could not move it across the ocean.

[Mr. W. Sanford Evans.]

*By Mr. Milne:*

Q. What would be the difference in that if the Wheat Board were in operation?—  
A. After we have discussed this figure, I can perhaps answer that. I do not think that even a world's wheat board could make any appreciable difference in the distribution if it were going to secure the best results. A local wheat board would not have a very important effect on the world's movement.

*By the Deputy Chairman:*

Q. Would it not be true that the quantities in which people buy things is something within their own power, and that if that condition which you have demonstrated is a correct demonstration, it shows what the buyers wanted rather than what the sellers wanted. Is that right?—A. Quite right.

Q. The buyer dominates the situation, so far at least as the quantities which he wants to acquire are concerned.—A. Yes, the quantities which he wants to acquire, and that is particularly true in respect to wheat. We do not import wheat from Europe; Europe imports wheat from Canada.

*By Mr. Evans:*

Q. But the Canadian farmer does not sell to the ultimate buyer?—A. No, my object at the present time is to discuss with you the fundamental conditions dominating the world's situation, and then we can see the measure of the local conditions, and the extent of the problem.

*By Mr. Sutherland:*

Q. Your charts show the uniformity of the delivery of wheat in the United Kingdom. How would that compare with the purchases by the United Kingdom and Europe of wheat in the other countries?—A. I have no definite information about the actual purchase of wheat, there are no statistics which can give that so far as I know because purchases are naturally of private concern and I cannot tell when they purchase.

Q. The delivery may depend very largely upon the facilities for moving the wheat?—A. It does.

*By Mr. Knox:*

Q. You have said that the buyer dominates the world's market as shown in that chart?—A. A little later in connection with one of my points I wish to offer certain general conditions to you which seem to me to throw some light even on that.

Q. It has been said that if the policy which supports the commercial handling of Canadian wheat were taken away, it would be impossible to replace it. Did we not take it away in 1920, and replace it without any difficulty?—A. Evidence was given here by the millers' representative and to some extent by Mr. Richardson as to what they regarded as the very serious effect of the disruption during the Wheat Board year, of all the connections which they had built up after years of enterprise.

*By Mr. Sales:*

Q. You say you think the more evenly the wheat is distributed the better, but you must have changed your mind since you wrote this report. On page 56 of the Georgian Bay Canal Commission reports, you are reported as saying:

"In each one of these 5 years (these are the years 1909 to 1913) the heavy Canadian marketing at the end of the year have coincided with a depression in price.

"If we leave out of consideration the short squeeze in 1910, it will be seen that with the exception of one year (1911)"

That was the year in which our crop was very poor, only forty-one per cent being of contract grade.

[Mr. W. Sanford Evans.]

"Other countries, Russia and Australia, dumped an unusually heavy loads" I like your language because it is my own.

"Dump unusually heavy loads on a market that was weak because there had been two large world's crops in successive years. Canada dumped her crop"

"I like your language because it is my own"

"Canada dumped her crop, as usual, a few months later, but, although it was the largest Canadian crop in volume up to that time, it was probably the poorest in quality, only about forty-one per cent being of contract grade."

"In no case has any large volume of the Canadian crop met a relatively high price. Other countries selling when Canada does are, of course, subject to the same price basis but a study of the peaks marketed by all other large exporting countries within the above period shows that no other country has marketed so large a proportion of its crop when prices are low as has Canada."

I think you are arguing practically for a new system of marketing wheat when you wrote this report. Whether you have changed your mind or not, I do not know. —A. I have a diagram which accompanies this on the other side of the Board, and as soon as I have finished, we will turn it around, and I will deal with that matter with the diagram before us, if we can wait for a few moments.

*By an Hon. Member:*

On that chart to which you refer, wasn't it world-wide as well as in Winnipeg? —A. I would like to offer, and I will offer you a little later, the world conditions which accompanied that decline in price, but that would lead me to another point altogether. I am now talking about the world system as a whole. How is that uniformity made up? It is made up by taking some irregularity, so far as the seasonal distribution is concerned, from several different countries, and the way in which the world on the average draws from each of the principal exporting countries is shown on this diagram No. 9. The bottom, which you probably all can see, shows the Australian shipments. The Australian harvest is in November and December, and they begin to ship heavily in January, and they ship their peak in the first two or three months. The Argentine harvest is a week or two later than the Australian, and you will see how heavily they ship just after the new wheat is harvested.

*By the Deputy Chairman:*

Q. Because their wheat fields are close by the sea-board. That is one reason? —A. It is one, and there are financial and other reasons which enter into it. But the fact is obvious from the figures of three war years. That is followed by India whose harvest comes in March and April, and in May, June and July India ships the peaks of its surplus. These two are the main sources of wheat supply in the southern hemisphere. India, while in the northern hemisphere markets in April and May. Now we come to the main sources in the northern hemisphere, the Balkan states shown here (pointing to chart) Russia here and North America, that is the United States and Canada combined, here. Our harvest in the northern hemisphere comes at this time of the year, and you will see in each case larger shipments immediately after the harvest, and putting them together you get the regularity which exists in this other chart. That regularity is secured by taking a little larger supply just after harvest from each of the principal sources of wheat supply. Now looking at that under those conditions, is it not clear gentlemen that as far as the consuming world is concerned, that is the more economical, probably the most economical way of taking wheat if they are going to have a regularity throughout the year; that is if they are not going to take 92 per cent of their supply right after the northern hemisphere harvest. This wheat has not accumulated storage charges to any extent, nor has this (pointing to chart) nor that. From the standpoint of the consuming world, you would expect that the world would want to buy that way. That is the

[Mr. W. Sanford Evans.]



way the world does buy, and if the world is going to buy that way we cannot help it very much as producers if they insist on buying that way. But is it really a disadvantage to the producing countries? There are two considerations here. When Mr. Stewart was asked a question which I think he only personally answered the other day, as to the quantity of wheat he sold in the autumn, he said that to clear the routes of transportation he sold at the beginning 18,000,000 bushels of wheat. A producing country such as Canada could not afford to bend back its possible supply of wheat unless we were prepared to create enormously greater storage facilities than we have in this country; and if we dam back the first of the wheat we would have to very vastly increase our transportation facilities to handle it all during the remainder of the year. We cannot afford not to clear our routes of transportation at the beginning of the season. If Australia which has less crop and less storage facilities than Canada cannot get rid of it we would have a great big problem.

*By the Deputy Chairman:*

Q. Did they not have great trouble during the war through the wheat being eaten by mice?—A. An enormous quantity out of one year's crop, some 9,000,000 bushels, was eaten and destroyed by mice. It was stored in boxes piled in immense piles on their docks and was in a very serious condition. There is still another determining condition which we must bear in mind.

*By Mr. Evans:*

Q. Why do you infer that the Canadian Wheat Board would dam back the Canadian crop?—A. I should not make such an inference at all, because I think Mr. Stewart definitely said he might not have any left this winter, he would sell it all in the Fall. But that point of view has been expressed so often in the discussions here about holding back wheat.

Q. It is not so?—A. No.

*By Mr. Motherwell:*

Q. Did not the Wheat Board actually hold back the wheat when they operated, and did not they win out by doing so?—A. When we come to the figure Mr. Sales referred to a few moments ago I will show that the movement under the Wheat Board was exactly the same as under other conditions. We did not move our crop up to the month of December any differently than normally, and I do not think we could, as a matter of fact. The other condition here is the condition of ocean transportation.

By the DEPUTY CHAIRMAN: Mr. Clerk, will you kindly ask those people upstairs to desist running their electric potato peeling machine during the sittings of this Committee.

The WITNESS: On the ocean there are liners and tramps. There are a certain number of vessels which ply regularly between certain ports and move on a schedule. Then there are a vast number of vessels which are open for hire and will go anywhere at any time, provided the price is right. The number of lines in the world is small as compared with the number of tramps. The number of liners on any particular route is regulated by the minimum regular amount of traffic. Tramps carry all the peak loads of the world. If you draw a line through there (indicating) you get relatively the liner's capacity for wheat in the Argentine, here for Australia and here for India. If you take what the Balkans ship and what Russia ships regularly, the liner capacity from the North Atlantic or North America is vastly greater than it is in any other part of the world, and the liners carry the regular part; the peaks are carried by tramps. The world must use its tramps not only to carry wheat, but to carry all the other bulk products of the world, and it is a very delicate adjustment that is brought about in the distribution of the world's shipments to keep it fairly equally employed throughout the year and avoid that excessive demand at one period which in the sensitive freight market will make a vast difference in the cost. It takes a

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very great deal more shipping to move a given quantity on a long voyage than it does on a short voyage. It will take about three and a half times the quantity of shipping to deliver in Europe a regular quantity of wheat from Australia than it will take to move the same quantity of wheat from North America, because it takes the vessels some eight or nine weeks to go out to Australia and eight or nine weeks to come back; and it takes them only a couple of weeks each way from North America. If these peaks are to be picked up in the southern hemisphere on the long voyage you cannot use your tramp tonnage to the same extent in moving your northern hemisphere stuff beyond that date, because there has to be a gap employed in switching tonnage from the North Atlantic to the other end of the world.

*By Mr. Milne:*

Q. Would a Wheat Board not be able to regulate that shipping just as easily as 50 exporters could?—A. I do not doubt that they would be subject in just the same way to the freight market, as the private dealers would be. They could not control that freight market, because it is controlled on the economic principles of distribution all over the world. They could, undoubtedly, work in with it in the same way as the others do. At this stage I am not arguing as to whether or not the Wheat Board could work efficiently with this system, but merely showing that the open market system, as far as the consuming world is concerned, does give you almost the theoretical ideal distribution, and I am indicating here that when the open market system comes to take supplies from the various countries, it not only takes them in the way that is best for the consumers, but probably also best for the producing countries; and you probably could not do it in any other way and yet be able to use ocean tonnage to the best advantage. When shipments are coming largely from the southern hemisphere there is about 40 per cent more ocean tonnage employed in carrying wheat than is employed in carrying that peak (indicating). Recognizing that the Wheat Board might not hold over the crop at all, suppose it was decided that they would hold over their wheat and not ship it, then if they did not ship it at that time, they would have to ship it some place else. Would they begin to bid for tonnage at that time when the tonnage is ample for the greatest demand? If you go into the freight market at a time like that, you might have to wait eight weeks to ten weeks before shipping would be freed from its long voyages and enable you to get it. It is not a matter that you can suddenly decide. Canada and the United States do not move much wheat to Europe that is not bought and taken for delivery at the specific dates at which it is moved, and we cannot afford to do it. There is practically no consignment from Canada or the United States to Europe except small odd parcels. Europe buys it and it moves out at the time at which they want the delivery to take place and the buyer for the consumer on the other side regulates that movement from May, with the result that he gets his supplies as he needs them fairly regularly throughout the year; and I see no way in which you could materially alter that with any new form of organization.

*By Mr. Sales:*

Q. Have you any idea how much wheat has been carried from Canada by liners?—A. It varies. Some take only 8,000 bushels. What happens is that a liner will first take whatever higher-class freight it can take, and whatever space is left it is very glad to fill with wheat. The liner will bid for wheat to fill its extra space at slightly below the tramp rate, and the result is that in the North Atlantic, north of Philadelphia the tramp gets comparatively little of the business of shipping grain into Europe, because the liners fill up with it.

Q. I was thinking of that when you asked could we bid for tonnage at that particular time of the year? We had a very pleasant trip to Quebec, and had this information from the officials of the C.P.R.—and this is, I believe, apart from the question of the Cunard line—that they would have sailings from those ports every

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two days. If that is the case, it seems to me there is a lot of tonnage which will be offered to us, and we shall not have to go out and hunt it. That upsets your argument, I think, Mr. Evans?—A. I do not think it does. Those liners will not be run unless there is traffic both ways sufficient to justify their being run on that course, and if they can fill up it means there is less tonnage goes to some other port in North America. I do not think you can increase the liner capacity between Canada and Europe in any artificial way; it is going to be relative to the trade both ways between Canada and Europe.

Q. But instead of this dumping in the fall we would be able to provide a regular tonnage which would insure the ships running regularly?—A. At that minimum you have all that regular tonnage from North America itself. A vast part of that is regular; there is only this little peak (indicating United States-Canada chart). After the opening of navigation on the Lakes the extra peak moves out. With that exception there is a remarkably rapid movement from North America as it is.

Q. And 50% to 60% of that wheat goes through United States channels?—A. Yes, because the bulk of the liner capacity is at the North Atlantic ports.

Q. I think it would be a good thing for this country if some means could be devised whereby the peak would go through our own ports and not through the United States?—A. Yes; if we could do it economically. We would have to bid for tramp tonnage. The second point I wish to discuss is the way in which the open market makes basic wheat prices; I am taking this also from the world point of view.

*By Mr. Warner:*

Q. Before we get away from this shipping question, I would like to ask if we could control a certain amount of our grain here would it not make the bidding sharper and reduce the amount of freight rate more or less, if the freight was not going too plentiful just at the time when our freight was going?—A. Yes.

Q. I understood you to say that it did make some difference when they got the bidding for the freight?—A. The liners will bid and the rates which Mr. Richardson quoted here the other day, which he obtained by wire—I have forgotten what they were exactly—were in effect about 5 cents from Montreal and 14 cents from the Argentine; that is below the normal parity between the Argentine and Australia. It was quite clear that the liners at that particular time were bidding for freight. In the London Times the other day the tramp rate for North Atlantic to Europe was quoted at four shillings per quarter, which at parity of exchange would be about 12 cents a bushel. If the liners were taking that stuff at five or six cents on the North Atlantic, there is a case where they were bidding for traffic and dropped below the normal rate.

*By Mr. Forrester:*

Q. The tramp steamers go to New York and other American ports because they get a cargo both ways, and Canada has a lesser consuming capacity and cannot fill the vessels?—A. Yes.

The DEPUTY CHAIRMAN: And a protective tariff to keep goods out.

*By Mr. Milne:*

Q. Could not the railway companies move our wheat a good deal cheaper if it were spread over the entire season, rather than bulking it in the first three months of the year? In the latter event they would require an excessive amount of rolling stock?—A. Unquestionably, unless other factors came in, and even distribution of the traffic load would reduce the cost.

*By Mr. Forrester:*

Q. Do not the Canadian winters render rail transportation more expensive?—A. Yes; they haul slightly smaller trains.

Q. Quite a bit?—A. Yes; I have not seen any figures on the subject, but I believe it is somewhat more expensive.

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*By the Deputy Chairman:*

Q. Depending on the severity of the winter?—A. Yes.

*By Mr. Forrester:*

Q. And in the case of a very bad winter it would be 100 per cent more expensive?—A. I could not say that. This diagram appears on page 12 of the report. This diagram was prepared in order to ascertain whether there was any relationship between world prices and world supplies of wheat. I had no idea of what the figures would show. With the draughtsman I had at that time I worked out a scale for wheat, a scale for prices and a scale for the index number of wholesale commodities, to show the range of prices in general, and co-ordinated the scales so that a quarter of an inch variation up or down would represent the same percentage change in prices that a quarter on an inch here would represent here, in order if possible to secure an effect that would be substantially true to the eye as it followed it. If that work is done correctly, the appearance of those three figures would substantially represent to the eye the modifications which occurred in each of them during that period from 1904-05 to 1913-14. The total quantity of wheat grown in the world that year was reported here as nearly 3,000,000,000 bushels. For my prices, I took the Liverpool contract grade wheat market, which is the most truly representative world price of wheat, because Great Britain is the chief buyer of the world's supply. Great Britain purchases over 30 per cent of all the world's supply. She purchases 43 per cent of the total taken by Europe, and is altogether the largest market for wheat and flour in the world, and all the world hedges in the Liverpool contract grade market.

*By the Deputy Chairman:*

Q. You say all the world hedges in Liverpool contract grades. That is a technical grain exchange expression which I do not understand, and perhaps there are other members who do not understand it, so perhaps you might explain?—A. What is called the contract grade market in Liverpool is a futures market; that is it is a sale for future delivery. Any one on the continent of Europe, for example,—a dealer, might have a chance to make a sale of wheat in that country, and he might be expected to get but might not get security; probably in that case he would buy in the Liverpool contract grade market, and make his sale on the basis of the price at which he bought. He might not ultimately take delivery from Liverpool. He might secure his wheat elsewhere, and if he did, he would sell in the Liverpool contract market. In the meantime it affords him a protection and a basis.

*By the Deputy Chairman:*

Q. He would always acquire a potential supply, of what he required by putting an order in that market?—A. Yes.

Q. He might not use that; he might only sell it in that market and get his supply elsewhere; but he would be always secure. He could get it if he wanted it?—A. Yes, and the system is such that the probability is that if the Liverpool market went up, every other market goes up, and at the same time if it goes down, they are down. So that if he bought in the Liverpool market at a high price, and when he came to sell, or to deal with the stuff and the price was low, if he bought in Liverpool and secured it here, he would lose money in Liverpool; but he would make the same amount of money on the other transaction.

Q. This is outside the point we are dealing with, but I would like to have your view as to what is the economic effect of this whole operation as regards the consumers in the United Kingdom? Are they not able to get their supplies always at the cheapest world's prices?—A. If I may postpone that until I have just run over this point, I will come back to it. This solid black line (pointing to chart) represents the average of the price lines in the Liverpool markets in each crop year. I have taken the European crop year from August to the end of July, for I have become

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convinced by my studying that you must take the northern hemisphere crop year as the regulating statistical period. The world does its thinking in terms of the northern hemisphere crop year. Here are your prices and the averages of them, with a crop in 1904-05 of the size indicated here (pointing to chart) you had that average price for the year as the basic world's price. With a bigger crop, you had a smaller price, and with a still bigger crop you had a still smaller price. With a smaller crop you had a bigger price. In the meantime, the average price of all commodities was tending to rise while wheat was going down. Wheat would not purchase as many other commodities at that price as it would purchase here.

*By the Deputy Chairman:*

Q. Because there was more of it?—A. Because there was more of it; I mean the actual decline in wheat was greater than that shown on this chart by the extent to which that line has risen above the line here (pointing to chart). I have figured out the adjustment for these four years, and I do not think that if any one of us was to sit down and to free-hand and with delicate instruments draw the relationship between this and that in percentage changes during those four years, we could make it much closer to the world's open market system in those years, the average season's price in the world's price market, and adjust the price to quantity, as closely as is indicated by these figures. As you will see, we have had two short crops in succession, and we had a tendency for the price to rise during the two years. There is an interesting point there to which I will come back. There (pointing to the chart) is the year of the Patton corner which was referred to in evidence the other day. It probably could not have had much effect, if it had not happened to occur at the close of two seasons of small crops; and in any case, it was more a market flurry than anything else, because neither Canada nor the United States could sell wheat for export at those prices, because Europe did not follow to the same extent. Here (pointing to the chart) you have a bigger price, following two years of the biggest crops the world ever had. You get the reverse of this going down for two years.

*By the Deputy Chairman:*

Q. The full effect of 1909-10 was not felt in 1911?—A. No, quite right.

Q. I see that the crop of 1910-11 was a little shorter, and the price went down still lower.—A. You are quite right. It worked for two years in both those years; the bigger the crop the smaller the price. I remember when I was in the little office in Queen Street when I brought the first draft of this diagram and put it up on the wall, I had no idea of what it would show. I had no idea that such relationship existed. It was done carefully, and these are the facts.

Q. Is that not just a graphic demonstration of the correctness of the economic laws as laid down by the classic economists, Adam Smith, John Stuart Mill and others?—A. It is the most remarkable demonstration I have ever seen of the relationship between quantity and price, or what they call supply and demand. Now, there is one other aspect of this. You will see the three thousand million mark here (pointing to chart). There was a very great increase in the world's production of wheat, and if you notice the relationship, you will see that they come closer together there (pointing to charts) than here. Relatively, the price of wheat was declining while on the whole the price of other articles was rising, and you have quite clearly a slight tendency in the world in those years to over produce wheat.

*By Mr. Knox:*

Q. I would like to point out that the demand for the Wheat Board is not for the purpose of regulating the world's price, but for the purpose of stabilizing the Canadian price.—A. I quite recognize that, but it seems to me that we cannot see what the local problem is unless we see what the whole foundation is. We can see its foundations better. I do not think I am disposing of the whole question by referring to the world's conditions; they are fundamental.

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*By an hon. Member:*

Q. The wheat market is on an even keel.—A. The wheat market is on an even keel, as you see there, as regards a basic world's price. Now let me refer to one or two rather exceptional conditions. That short rise in that year (pointing to chart), and this decline here (again pointing to chart) was due to a slight miscalculation on the part of the world as to the total that would be available in that year. The crop in the southern hemisphere turned out exceptionally large, larger than was contemplated at the beginning of the year. The southern hemisphere had some eighty million bushels more this year (referring to chart) than it had this year (again referring to chart). In the northern hemisphere it looked as if the world's crop was going to be short and prices responded immediately. As soon as it became clear that the southern hemisphere was going to have an unusually large supply of wheat, the price took a lower level for the balance of the year. This period (referring to chart) was the period of the Patton corner. That is abnormal. This other period is the period of the Balkans war.

*By Mr. Johnston:*

Q. You have referred to what you have called the Patton corner. In a controlled market, could that possibly have happened?—A. No, you could not have it, and since that Patton corner, the Chicago Board of Trade has passed regulations which are designed and apparently would be effective in preventing cornering. I do not think that and cornering has been profitable for the man who attempted it anyway.

*By Mr. Sales:*

Q. Did not that take place recently?—A. This was in 1909.

Q. There was a speculation in the exchange in Chicago which resulted in the price of wheat going up nine cents in one day. Is it right that any man, never mind what side he takes, whether he thinks wheat is going higher, or whether he thinks it is going lower—is it right that any man should have an influence on the price obtained by the man who produces the grain to such an extent as that?—A. If there is time, I would be very glad to take up that whole question of the future market in trading, because it is a big question in itself. I am not sure whether it would show that there was much net loss or gain on either side, for while the farmer may be at a disadvantage when the price drops, if he has the wheat, he gets the advantage. Any farmer who had wheat at the time of the Patton corner would get the price.

Q. Suppose that you and I are partners, and our grades are of the same quality. But some man gets in on the Chicago market; it has nothing to do with our Canadian wheat at all; and he sells his wheat because he thinks it is going cheaper. He sells and sells and knocks the price down ten cents. If I were on the market ten days before, and got ten cents a bushel more than you did, how would you feel about it? Is it any good to either the producer or the consumer?—A. No, I do not know that it is much good, but it is a question whether you can substitute anything that would work better. Leaving out these exceptional conditions, there are two things that seem perfectly clear to me from these facts. The first is that your general level of prices tends to be very closely indeed in conformity with your relative quantity; and in the second place in a world's basic market, the world's system tends to produce a stabilized price for the crop year. That is evident here in that year (pointing to chart). For example, prices were higher in the autumn than for the rest of the year. I have traced back for sixteen crop years before the war in this Liverpool contract grade market to find out what are the lowest points of the year, and in the sixteen years it occurred three times in September, once in October, twice in November, once in December, once in March, three times in April, twice in June, once in July and once in August. In the sixteen years before the war, there was no regular recording of the causes which

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tended to produce at any particular period of the year the low point in the Liverpool market. If the world can correctly estimate the southern hemisphere's crop which has only just been sown before our crop year begins; if it can fairly correctly estimate that, and if it correctly estimates what has been harvested in the northern hemisphere, the system tends to produce a stabilized price for the whole crop year. Where there are miscalculations, as sometimes happen, and as are indicated here (pointing to chart), where the quantities are higher or lower and the quality is better or worse than was estimated, you will have a very level figure.

*By Mr. Milne:*

Q. You have undertaken to show that there is a stabilized price. We want to avoid those fluctuations. If you draw a line through that chart you will find that seventy-five per cent of the farmers are being penalized while the other twenty-five per cent may be getting the advantage. Is that a good system?—A. Stabilization is unquestionably a good thing. I am not giving the local conditions, nor the special conditions; I am merely showing that the tendency over the world as a whole in determining the world's basic price is to determine it in direct relationship to quantity, and to stabilize it for twelve months.

*By Mr. Sales:*

Q. In what year is that low figure? (pointing to chart).—A. That is 1909-10. That is very interesting. It came in the summer of 1910. It puzzled me when I saw these figures, and when I looked up the American markets I saw that they contained no such drop as that. I saw that our markets declined here sympathetically, but you could not export from one to the other because there was no margin. So we were not doing any business on that American market. I wrote to Mr. Bloomhall in Liverpool, and asked what had happened in the Liverpool market at that time to cause that drop, and he wrote back that it was merely a temporary condition due to the arrival in Liverpool of several summer cargoes of grain on ship's account. To put it into less technical language, some shippers from Australia had started their vessels about this time but had not sold. On those long voyages they sell on passage, and one cargo may change hands a great many times in the eight or nine weeks that the vessel is afloat. But the price can be dropped, as we see, in Liverpool and the shippers of those cargoes kept expecting that they would get a better price, and hesitated to sell until they finally tied up at the dock at Liverpool. Europe had bought all that it wanted, and nobody wanted the wheat, and they gave it away. That is the most striking illustration I have yet come across in grain statistics of the fact that the shipper cannot ship unless he has a place to put it over there without any chance of coming out on the average with a whole skin.

*By the Hon. Mr. Motherwell:*

Q. All safe trading in farm produce avoids as far as possible shipping or consignment?—A. It is just as true of wheat as anything else.

*By Mr. Warner:*

Q. Do you think the farmers have been getting a fair proportion of the stabilization that came? Have they been receiving the benefit from the stabilized market going from this continent to the world's markets?—A. We will come to that in connection with these two charts (indicating) and if I do not cover it to your satisfaction, please let me know.

*By Mr. Jelliff:*

Q. How many million bushels is represented in that drop to which you have referred?—A. As far as I can remember, he said four or five steamer cargoes. That might have been anywhere from 750,000 to 1,000,000 bushels, or a little over.

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*By the Deputy Chairman:*

Q. As I understand it, that wavy line shows the peaks, and is no indication of the volume of goods sold at the peaks, either up or down?—A. No.

Q. If you had one single cargo sold at the low price, it would bring the peak down?—A. Yes.

*By Mr. Sales:*

Q. In what month is that drop?—A. It would be May and June.

Q. Does not that drop show that the market can be manipulated? Supposing there had been one million bushels in those four or five shipments, and that the grain trade would depress the market until they took that from them at their own price, is not that an unsatisfactory state of affairs? Does it not prove that the grain trade can manipulate the market?—A. In a condition like that where wheat is tied up at Liverpool, you have to unload it or pay demurrage on it, and every buyer had made his arrangements elsewhere because he had not been able to buy that wheat, and nobody wanted it. Under a condition like that, which is very satisfactory to shippers, the price might go anywhere. At that date there was comparatively little accommodation except warehouse accommodation in Liverpool. They have greater facilities now, but relatively nothing like the port accommodation we have on this side.

*By the Deputy Chairman:*

Q. As a matter of fact, that wheat would come in in sacks from Australia?—A. Yes. Now we come to the relationship of the Winnipeg prices to the prices which are shown in this diagram to which Mr. Hamilton, Mr. Rice-Jones and Mr. Sales have made references. The earlier report from which diagram 13 is taken was a report on traffic and how it moved. As wheat was the most important bulk traffic coming from the West to the East, I believed it was necessary to make a study of how wheat moved and why it moved, before undertaking the responsibility of any recommendation as whether Canada could afford to spend another \$100,000,000 or \$200,000,000 on alterations or improvements in transportation routes. It was from the traffic point of view that I approached this subject, and as it was impracticable by reason of the intervention of the war to conduct this enquiry as enquiries are ordinarily conducted, by holding public hearings, the Government requested me to work out some of the fundamental material and statistics in order to have some hand-books of fact which might form the basis of discussion when we began to hold public hearings on the transportation question. In the introductory statement in this report, I said, "It is not a report on conclusions, but rather a general introductory statement of the case to be argued." I did not know, except as an ordinary citizen of Canada, anything about the wheat problem when I started this enquiry, and this enquiry is the history of my own intellectual progress in connection with this problem. I took out in diagram No. 18 the quantities moved into Fort William and the quantities moved out of Fort William. It was movement that I was studying. I put prices here (indicating) to see if there was any relationship between, movement and prices. The thing that might cause a certain amount of apprehension—as it did me at that stage—was that I drew that by calendar years and not by crop years. On the whole, you will see that your prices in those five years tended to drop. If you take a calendar year, the fall of the year is lower than the earlier part thereof.

*By the Deputy Chairman:*

Q. Forgive me for interrupting, but you start at one hundred?—A. Yes.

Q. Do you not end up at one hundred?—A. Yes; but in diagram No. 18 I take only five years, and the tendency of wheat prices is down in those five years. My later studies, for reasons already given, have led me to conclude that we must take

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the northern hemisphere crop year and not the calendar year. If you take the northern hemisphere crop year, it is not true in that period that even in a majority of cases the price in the fall months is lower than in the others; it is lower in some and higher in others. If any one thinks the calendar year is the proper statistical year, I think my figures are correctly worked out, but I went deeper, as appears in the Georgian Bay interim reports. It affects the situation, and the distribution of quantities which I showed at the other places is getting pretty nearly to the bottom of the problem, and we must build up further. The figures I used in this diagram are the same figures that Dr. Magill reproduced on his charts, with the exception that the scale which he used was slightly different. Mr. Stewart's figures are the same. We have all used the same figures, and as I think Dr. Magill's evidence clearly established, the facts, whether you take them for Chicago, Minneapolis or Winnipeg, do not show that on the whole there is realized a lower price in the fall than in the balance of the year; at least if you take the carrying costs into consideration. So I do not think that is established as a matter of fact, if we take the crop years. The facts as stated in that report were arrived at by taking calendar years. Coming to the other point, this red line is Winnipeg and the black line is the contract grade market shown on a larger scale. Sometimes the Winnipeg price is close to the Liverpool price, and sometimes there is a considerable spread, as Mr. Rice-Jones pointed out on Friday.

*By the Deputy Chairman:*

Q. In which direction is the spread?—A. Always downward. There is an abnormal, exceptional time where you may get a peak running above it.

Q. Is that "down" after you have taken into consideration the cost?—A. No, those are absolute prices without taking costs into consideration at all.

Q. Then, in order to make a fair comparison between Liverpool and Winnipeg, should you not take into consideration the cost of transporting the product?—A. Yes; and although I did not work that out at the time, I gave in this report the ocean freight rates for all those years. In 1909-10 the ocean rate is 3 cents and 4 cents a bushel on wheat. The cheapest rate is about 2 cents a bushel; there is another rate of 6 cents and 7 cents a bushel, and also 10 cents and 11 cents a bushel. The difference in those spreads is almost entirely accounted for by the difference in ocean rates, and the ocean rate on wheat here (indicating) was 5 times what it was there.

Q. Is the spread about 5 times as big?—A. Substantially, yes. If you adjust all those rates you will get left as a local condition responding to those local peaks about something like that (indicating). That is, the tendency of our big peaks in the fall is to make our price go down. The effect of our peaks is to depress prices, but in these years, as I have restated, that does not show itself over and above the effect of ocean freight rates on those spreads to a greater extent than an approximation to a carrying charge. If we not only sell but deliver wheat faster than it is going to move into actual current consumption, those carrying charges have to be provided by some one, whether by the farmer or by the dealer. They are being incurred. If you sell wheat at that time of the year your price will tend to drop to include that carrying charge. I do not doubt, sir, if it were not for the general world system that tendency to drop would go to a very much greater extent than that, but the whole world's system of trading comes in to help to sustain or strengthen any local weakness in the position. In connection with the discussion of futures prices, you cannot have a cash price drop out of relationship to the nearby futures or the futures at that time. That is, your cash price cannot or will not go down to a point which represents more than the carrying charges on wheat between that time and the time when the future runs out. It would be easy for any one to buy the cash wheat and store it and make money on it if he could sell a future at a higher price than he could buy the cash plus carrying charges. Your future sustains your local

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cash price within the carrying margin. On the other hand your cash price may go very much higher than your future and you get then what is known as cash premiums. During those past two years we have had cash premiums running up to forty cents a bushel more for the cash than for the nearby future. But you cannot get your drop out of relation to your future. The Winnipeg May futures, or all futures, tend to sag also whenever deliveries exceed the current consumption requirements; but as soon as they begin to sag you get two influences coming in which are very important. In the first place, in the case of all grain dealers throughout the world, whether dealing in Argentine, Australian or United States grain in Liverpool or wherever it is, if Winnipeg begins to drop out of relationship to Chicago, Liverpool and the other markets, those who want to purchase in order to protect a hedging sale will pick out the Winnipeg market to hedge in, and put their buying orders in Winnipeg. If Winnipeg futures get out of relationship higher than others, they would put their selling orders in the Winnipeg market, and that helps to strengthen the Winnipeg market, and then there is a class of persons who perform the function known as arbitrage in the financial markets, and particularly in the Exchange markets. In London, England, there is a recognized business called arbitrage dealing in foreign exchange. If the direct exchange rate between France and the United States gets out of line with the combined rates between London and the United States and London and Paris, these men would sell the low and buy the high, or sell the high and buy the low on a fraction of a cent. Those transactions tend to keep the world's exchange markets always on a parity so that the business man can deal direct between New York and Paris just as well as he can by figuring in a round about way, and it is considered to have resulted to the general advantage of the world's financial transactions. The same thing happens in wheat. There are thousands and thousands of men who are watching the fluctuations of all the main markets of the world, and if any one market gets out of line with the other they will buy the weak and sell the strong, because they know that when the period is reached, say the end of May, and the wheat that has been dealt with under futures contracts becomes actual cash wheat, that wheat, no matter whether it be at Winnipeg, Chicago, Buenos Ayres or out in Australia, is going to have, relatively to distance and quality, exactly the same value.

*By the Deputy Chairman:*

Q. Relative to distance from Liverpool?—A. Yes, and quality; it is going to have the same value because those men will take that at the same price so that hedging and arbitrage come in to help support every local market or to check any local market. If it were not for that, I do not question at all that there would happen in Canada exactly what so many believe has happened, and what does tend to happen and really does happen with a commodity which has not a real world market. The best illustration I know of that is corn in the United States, which is produced in enormous quantity, there being four bushels of corn grown in the United States for every five bushels of wheat grown in all the world; but the United States corn is marketed almost wholly in the United States, only 2 per cent or 3 per cent of the American corn market being exporting. Every year the cash price of contract corn in Chicago tends to decline as deliveries and visible supply increase. It drops down and rises again as consumption absorbs the extra quantity which is on the market. As every one knows, corn begins to be heavily delivered in the United States in December and January. I looked up the prices of contract corn in Chicago for the ten crop years before the war and I find, sir, that the lowest price of the crop year in Chicago occurred once in December, three times in January and five times in February.

*By Mr. Walker:*

Q. When you employ the word "corn" do you refer to corn as it is known in the English market, or corn in Chicago?

[Mr. W. Sanford Evans.]

THE DEPUTY CHAIRMAN: The witness is calling corn corn and wheat wheat.

*By Mr. Milne:*

Q. Did I understand you to say that we would lose the advantage of competitive selling if we had a Wheat Board?—A. I did not mean exactly that.

*By the Deputy Chairman:*

Q. I think you used those words. It seems to me what you intended to convey to the Committee was that the sellers would lose the advantage of competitive buying. You did say "competitive selling"?—A. I did not intend to put it in that way.

Q. Repeat to the Committee your thought on that subject?—A. I was referring to society as a whole, and as I recall it, what I said was that no general class could secure any advantage for long out of anything that was not of advantage to society as a whole, and that in my view it was better for society as a whole that there should be the advantage of competitive selling as against competitive buying. I did not intend to take the farmers specifically.

THE DEPUTY CHAIRMAN: The Witness has been talking about world markets, and has not yet dealt with Canadian markets. Is it the pleasure of the Committee to sit again this afternoon?

Some hon. MEMBERS: Yes.

The Committee adjourned at 1.07 p.m. until 4.00 o'clock p.m.

The Committee resumed at 4.00 o'clock p.m.; the Deputy Chairman, Mr. McMaster, presiding.

W. Sanford Evans, recalled.

THE CHAIRMAN: Please proceed.

THE WITNESS: We had been discussing this morning, sir, the principals involved in the diagram No. 18 which appeared in the first interim report of the Georgian Bay Canal Commission. Some of the gentlemen who were asking questions with regard to that have not yet come to this afternoon's session, and perhaps I might go to the next general point which I had in mind, and after they come we can go back and finish up any details of this portion.

THE CHAIRMAN: There are others present who may not have asked questions so far but who are interested in the matter, and I would suggest that you go ahead.

THE WITNESS: Then it is evident that this particular portion of the first report has attracted a good deal of attention, more so than I had been aware of; and from some remarks even since this morning's session I gather that it has been in the minds of a good many people. As I pointed out this morning, this was some of the first work which I did, the Georgian Bay Canal Commission. That other material and all the basic material which we have been discussing this morning was also brought out in the Georgian Bay Canal Commission reports. Those reports, as the introduction states, do not profess to do more than offer certain material as the basis for the discussions which it was contemplated would take place, and they expressly stated that they did not represent the conclusions. As that diagram stands, and as the text reads with the notice accompanying it, standing by itself it is misleading for the reasons which I stated this morning, that I later found we must go more deeply and take the general world conditions into consideration and take their effects before noting what was left to be accounted for by local conditions. These world conditions and materials are all provided in the report. I did not know any better at that time than to draw my diagram by the calendar years instead of by crop years. These figures and proportions are all correct, and with the conditions on the diagrams there

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and with this diagram of the world's conditions taken into effect, what is left can be studied in relation to the local systems of delivery. As I pointed out this morning, my conclusion is that only a comparatively small proportion of those declines is left to be accounted for by the fact that deliveries have taken place in those months faster than current consumption has absorbed them. In the Wheat Board years our wheat arrived at Fort William and Port Arthur and was shipped east from Fort William and Port Arthur in practically identically the same general way as those years. I have prepared a rough sketch on the same scale to show the movement under the Canada Wheat Board, and it corresponds to those we have particularly referred to. There was a small crop under the Wheat Board in this particular year, the 1912-13 year. Even a bigger proportion was held over in that year than in the Wheat Board year. It is very similar in general principles, and it is just the same in regard to the question of delivery.

*By the Deputy Chairman:*

Q. Do I understand your evidence to be that during the operation of the Wheat Board the grain actually went to the consumers overseas in about the same proportion as in normal years?—A. This does not necessarily show how it went for export, that is how it actually went to the consumers; but the movement in the Canadian west and from the Canadian west was about the same in both years, and I doubt whether under all the conditions it is possible to have it moved differently; that is, I do not think that the Wheat Board would make any very important difference in regard to the movement of the crop.

*By Mr. Millar:*

Q. Do you mean to the country elevators or out of the country elevators?—A. No, this is to Fort William and Port Arthur and this (pointing to chart) is from Fort William and Port Arthur East. I mean in those two respects the farmers' deliveries in 1919 and 1920 in the three months, September, October and November, amounted to 69.9 per cent of the crop of 1919.

Q. Delivered to where?—A. To the country elevators and loading platforms. In the following year, 1920-21, the deliveries were 68.2 per cent. About one per cent less was delivered by the farmers in that year than in the Wheat Board year. If you take the shipments east from Fort William and Port Arthur in 1919-20, the Wheat Board shipped east by lake and rail in the three months, September, October and November, 51.2 per cent of the total shipments east during the crop year. In 1920-21 the shipments east were 46.8 per cent; that is the Wheat Board actually shipped a slightly larger percentage east—presumably the normal percentage of that would have been engaged for sale abroad at the time. The change began to occur in the month of December and the total shipments east in December under the Wheat Board were slightly below the normal. In other respects the movement was just about normal, and I doubt whether under all the conditions of this country any very important change in the movement can take place. That leaves still, of course, the question of how sales are made.

*By the Deputy Chairman:*

Q. May I ask this question? Have you figures to show for a term of normal years, say for 10 years prior to the outbreak of the war, what proportion under the Wheat Board would be disposed of by farmers to the country elevators or loading stations in the first three months?—A. There are no figures definitely to show what the farmers have sold, and it is only in the past three years that you could obtain the figures further back. Of course, you can take the receipts of the country elevators for a series of years. In the three months, I think, the normal deliveries ran from 65 per cent to 70 per cent, and if you take in the month of December the normal deliveries

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from the farmer would run over 70 per cent, between 70 per cent and 80 per cent for the four months—these are deliveries from the farmers.

*By Mr. Sales:*

Q. Is it possible to get the volume of wheat sold for October delivery?—A. There have been some figures. Do you make a distinction between hedging sales and what they call speculative sales? Do you mean sales in the futures market or do you mean sales by people who are purely speculative?

Q. The man who has not got the wheat must be purely a speculator, must he not?—A. Yes, all dealing in the futures market is speculating in a way. A good deal of it is resorted to by people who wish to protect themselves against speculation. But any dealing in future deliveries involves speculation.

Q. The man who sells in July and August has not got the wheat?—A. The futures market is a market dealing in binding contracts to sell or take delivery on and purchase before the close of the last business day in the month specified, and the quantity of wheat stated in the contract is in existence.

Q. How can October wheat be in existence in July?—A. If you buy on October contract in July, you agree to take delivery of the wheat that will be grown and that will be in existence at the time specified.

Q. But the man who sells that has not got it?—A. No, he can not have it in general, but there will be wheat available which he can get in October.

Q. And having sold it at \$1.64, as was the case last July, and made a binding contract—have you any idea as to the volume of wheat sold in July and August?—A. There was evidence given before the United States Committee on Agriculture by officials of the Chicago Board of Trade in reference to certain very large figures which had been circulated in the United States. My memory, I am afraid, does not quite serve me, but I think the returns given showed that the total volume of wheat, that is the future sales in Chicago, had been over nine or eleven times the volume of grain marketed through Chicago.

Q. What about our own Winnipeg Exchange?—A. Mr. Fowler gave some figures in the report which he prepared for that enquiry and which were submitted to that Commission. The figures are very much smaller in our case. I have forgotten what the Chicago figures were exactly, but they were not anything like as large as has been reported.

*By Mr. Sales:*

Q. Having sold nine times the quantity of wheat for October delivery, naturally the men who have sold this and have made cast-iron contracts to deliver are interested in buying it from the man who produces it at as low a price as possible?—A. Certainly; those who take the selling side anticipate that the price when October comes will be lower than the price was when they sold.

Q. But your own remark that nine times as much was sold shows that the selling side is very strong, and naturally it will interest them to depress the price to the farmer?

The DEPUTY CHAIRMAN: May I interject. Does not every sale connote a purchase?

Mr. SALES: I do not know.

The WITNESS: There are just as many purchasers as there are sellers?

*By Mr. Sales:*

Q. There must be a buyer, of course?—A. Yes.

*By the Deputy Chairman:*

Q. Will not the interest of the buyer at any certain price be to bring up the price to at least as high as he bought at?—A. Well—

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*By Mr. Sales:*

Q. It does not appear to work out that way?—A. It works out both ways, and there has never been anyone who could continuously, successfully, play the grain futures market, although he might do so once or a few times; if he could do so continuously it would be the easiest way in the world of making money. I do not think any of the outstanding world's fortunes have been made in grain speculation.

Q. You know many gentlemen who are engaged in the grain business in Winnipeg, and you doubtless know that they appear to be living fairly comfortably?—A. Oh, yes.

Q. Would you say that the producing end of grain is as profitable as the handling end of grain?—A. The producing end of grain has not been profitable at all during the last two years.

Q. Does not the gist of your report attempt to prove that our method of marketing grain before the war was not the correct method? We have not changed that method?—A. I regret it very sincerely if my report has influenced anyone in a wrong direction. My point is that some gentleman who quoted me before this Committee as an authority in support of a change should not have done so, because they well knew my views. Ever since that report was written I have continued to investigate these problems, and have continuously issued material and opinions upon them, and my views are well known. If anyone likes to take the position—with which, unquestionably, I started that report—that the calendar year should be taken and put conditions directly in touch with world factors without first taking other world conditions into consideration, that effect would be produced.

Mr. SALES: You will note, Mr. Chairman, that we have no very great complaint as to the physical handling of our wheat. We must have the country elevator and the terminal elevator and all that kind of machinery, but I wish to draw your attention, sir, to the fact that it is the speculative element which we desire to remove out of our grain handling system.

The DEPUTY CHAIRMAN: As I understand it, the gentlemen who are the protagonists of a collective producing system believe that the speculative element unduly depresses the prices they receive for what they have produced.

Mr. SALES: We do, sir.

The DEPUTY CHAIRMAN: Perhaps the witness would like to give his views on that.

*By Mr. Forrester:*

Q. Mr. Evans, Mr. Sales just said that the dealer was living in Saskatchewan. Is not his business largely, as a commission business, a safe business? He takes his orders and either buys or sells whatever he gets hold of?—A. By far the greater part of the business which centres in the Winnipeg Grain Exchange is merchandising and commission business, and the fact that the future market is used so extensively for hedging purposes is proof of the fact that the grain dealers, and particularly the country elevator dealers, take every possible step to protect themselves against the speculative risk in grain handling. If a country elevator or a system of country elevators should receive in a day 10,000 bushels delivered from the farmers, the local agent notifies the head office in Winnipeg that they have purchased 10,000 bushels. In practically every case, the head office goes on the floor and sells that for delivery in some future market. The original purchase is based on the current flow of prices, as has been explained here, and they make that sale in the futures market. That would be a sale which would be accounted in the volume of speculative selling to which Mr. Sales has referred. As soon as the cars are received and that grain is brought forward to the terminal elevator, in most cases the country elevator would sell that as spot wheat on its arrival there, without reference at that time to their

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sale in the futures market. As soon as they sell it, they give instructions and make a purchase in the futures market, and their purchase there balances their sale and completes the transaction. What has happened, however, is this—because generally the cash and futures fluctuate with some close parallels—if he has bought on the basis of \$1.50 in the country, and if when it arrives at Fort William the price has declined to \$1.40 and he sells on that basis, he has on his cash wheat lost 10 cents; but it is practically certain that the futures market will have declined the 10 cents, too, and he will have sold on nearly \$1.50, and when he comes to buy back his hedge it is down to \$1.40 and he has made his 10 cents in the futures market that he lost in the cash. If the cash goes up he loses on the futures what he makes on his cash. Theoretically, if you put a hedge on you cannot make any money except what you calculated as your original spread when you bought in the country. That is the purpose of the hedging market, to avoid the speculative risk, and the grain trade can deal on comparatively narrow margins because they can safeguard those margins in the futures market.

*By the Deputy Chairman:*

Q. Mr. Evans, you heard Mr. Sales' statement of faith. He believes that this method of hedging or re-selling and re-buying operates to the disadvantage of the original producer. What have you to say as to that?

Mr. SALES: Pardon me, sir. I am perfectly familiar with the question of hedging from the country elevator. Our own Farmers' Company carries on business in that way, but the Farmers' Company never go out in July and sell wheat for October delivery, and then sell more and more and depress the price; they never indulge in that kind of business. I am talking about the futures in July and August before there is any wheat coming on.

Mr. FORRESTER: How would it depress the market?

Mr. SALES: I cannot tell you, but I will ask you to look at that chart. Mr. Stewart placed his finger at \$1.40 and then carried it across to the other side and said that there was nothing in the world's supply of wheat which warranted that decline in prices. I cannot tell you why, because I do not know.

Mr. FORRESTER: The world's market followed that, too.

*By Mr. Sales:*

Q. Mr. Stewart is considered the finest grain man on this continent, and that is the information he gives to this Committee?—A. I would like to offer a little later something which I think will have some bearing on that situation.

*By the Deputy Chairman:*

Q. I may have misinterpreted Mr. Sales' question, but I think you understand what he is driving at?—A. Yes.

Q. You understand what his attitude of mind is?—A. Yes.

Q. Have you anything to say, either confirmatory or the reverse?—A. In my opinion, in the long run the speculative market does not have a depressing effect, and I doubt whether it is of much advantage in raising prices. The majority of people because of the peculiarity of the way in which human beings are constituted, are bulls. There are fewer individuals who will sell in the hope of buying cheaper at some time, but there are any number who will buy in the hope that the price will rise. I think, taking speculators as a whole, there is a greater tendency to taking the buying side than the other. That may at times afford an opportunity for the unusual individual who is prepared to take the other side, but from my study of the situation I have been rather surprised at the accuracy with which the world has forecasted even some months in advance conditions that will tend to prevail or do prevail when the later period comes. When Mr. Sales speaks of future sales in October taking place in July, that is

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not a long period in advance if you take, for example, the London market. You can get London futures in September and October quoted then, and they are beginning to make purchases because it will take them almost that long. They are still drawing wheat from Australia and the Argentine and dealing at least that far ahead. When our market starts up it is because the world is already trading at that level, and it has to be prepared to offer facilities for their buying our wheat if they want to buy it. I doubt whether, if we were confined to the Northern American market, you would find the October future opening quite as early as it does.

*By Mr. Morrison:*

Q. With regard to the question of the option market being a protection to legitimate dealers in grain, I think you said the great majority of people are bulls in the market?—A. Yes.

Q. You were correct in stating that, for every buyer in wheat there has to be a seller?—A. Yes.

Q. The option market is evidently a safety valve for the legitimate dealer in grain?—A. Yes.

Q. When there is a buyer for every seller, somebody ultimately has to bear the burden when the market fluctuates?—A. Yes.

Q. It is not the scientific dealer but the mass of dealers that are not scientific dealers in grain, or else it is the producer or the consumer that has to bear the burden?—A. In the speculative market the man who takes the selling side loses if the market goes up, and he loses just what the other man makes. The money that goes into that pool in the form of margins is the money that is divided at the end of the deal. The money which the speculator makes does not come directly out of anybody outside of that pool. It is divided up. You would have to look for the effects of this speculative dealing at the possible effects on the course of cash wheat outside. Every agent who has a trade for himself or for a client in the futures market must keep good his margin, based on the closing price that day, and keep making good every day. Every day a check passes either to or from the clearing house, keeping that margin good until the end. The margins put up on one side, if they have guessed wrong, are the money which the other side makes. There is a speculative pool of money in there, and it does not come directly out of anybody outside of that pool. It is only a question whether the effects of the fluctuations in the speculative market have any effect either advantageous or disadvantageous on the cash price outside.

Q. But there are only a few bears compared with the number of bulls?—A. Yes.

Q. And there is a great number of people that are buyers of grain?—A. Yes.

Q. Those other fellows want to press the market down?—A. Yes.

Q. Have not the big men the ability to manipulate the market?—A. Only to a very slight extent. Temporarily for a day or two, or a few days, there may be manipulation but every one who buys in the futures market must sell again in that same market before the close of the time. If there is a strong and enthusiastic element comes and sells to-day May wheat, those same men have to buy back in that same May future before the close of it just exactly the quantity that they sold, and the same man has to be on both sides of that market within the terms of the same option.

*By Mr. Millar:*

Q. I understand the closing price each day is fixed by a committee?—A. No; that is actually the last quotation that was made in the pit in open trading.

Q. I understood that they refused to accept that as the closing price for the day, and that a committee was chosen to fix it?—A. Oh, no; neither in the cash market nor the futures.

Mr. LEAMAN: In the case of a dispute as to the fraction of a closing price, a committee would fix it, but the quotation as settled is the quotation that goes out on cash or futures.

[Mr. W. Sanford Evans.]

*By Mr. Millar:*

Q. That is pretty nearly what I understood to be the case. Is it not possible for a bunch of bears to get together and for one to say: "At the last moment I will drop 10,000 bushels on the market, and you can drop 30,000." Is it not possible for them to influence the closing price, even although the committee functions?—A. That committee does not function if there is no dispute.

Q. In case there is no dispute it seems quite apparent that they could influence the price?—A. I think you would find very few people, indeed, who would be prepared to go short at the close of a market.

Q. What do you mean by "go short"?—A. To sell, to run the risk of selling at the close of a market.

Q. I mean it is a question of throwing out a sprat to catch a whale?—A. Yes.

Q. If they can bring the closing price down even a quarter of a cent it would sometimes mean hundreds of thousands of dollars?—A. Yes; but there are others watching to make it the other way. My own opinion is that it would be very hard to trace each net effect either way. But we must not forget that there is inherent in the grain business a speculative risk which is inherent in any other business, and which involves a period of time at which no one can tell exactly what the consumers' condition or the demand may be even a few days in advance. There may be changes in the general financial conditions which may affect the general buying power.

*By Mr. Millar:*

Q. That is, according to my contention, a little extra rake-off?—A. Some may get it, but they do not always guess right; it see-saws back and forward. There is a rather more speculative risk about grain than in any other commodities because of the necessary length of time before a large part of the world's grain actually reaches the consumer. If you take from the interior of the Argentine, or from the interior of Australia, or even from the interior of Canada, and if you take the approximate consumer, the miller in the United Kingdom, there are several months which may elapse. That grain should be financed upon because there is not capital enough among the producers or in the grain trade to carry that load all that time. If you were to finance against the security there must be a good deal of protection for that. It must be a safe loan for banking institutions, and the problem of the grain trade has been to arrive at some system which will give security and which can be financed against.

Q. Do you mean by that that the margin for handling must be in proportion to the risk?—A. Exactly, it would be. If that cannot be done, the margin would tend to be very much larger. Now, that speculative risk in grain has been handed over to the futures market; it is specialized and differentiated from the speculative risk in other forms of merchandising, but the speculative risk remains inherent, and I am of the opinion that if there was a development somewhat corresponding to the futures markets in grain and in exchange, and in certain other main lines of trade, if there was something corresponding to that in merchandising we might find fewer occasions for those collapses and periods of depression than we do, because the ordinary merchant cannot protect himself for any length of time, and he has got to take that risk; and if conditions change and they go against him he finds a lot of things on his hands which he cannot sell at anything like the cost to him. The speculator—the man and woman who is anxious and willing to take a risk, comes in to help with a pool of money the carrying of that speculative risk. I am not prepared to defend speculation; on moral or on general grounds—

Q. You separate that from hedging?—A. Yes, I am talking about the speculator. If the speculator was not present in the market, you could not have a hedging market which would accomplish its purpose, because you would not always have hedgers enough who were buying to counteract the hedgers who wanted to take their hedging back. We have those men and women who speculate in everything, who have been doing the same thing in stocks and exchange; and it seems to me that trade and

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industry have been able to make use of that speculative tendency ultimately to the advantage of trade, because it provides a way in which you can insure against certain risks in the grain business, or in exchange, or in some of those other lines.

*By Mr. Sales:*

Q. You speak of the speculative tendency in other commodities; can you point to any commodity that suffered such a collapse as grain has suffered, as is shown on that chart, even with your speculative element working?—A. Yes, sir, I can do that alright, and I will give you some figures in a few moments. To lead up to that point, the last heading under which I would like to offer a few observations is what I would call the exchangeable relation of wheat to other commodities. We must not lose sight of the fact that the ultimate consumers of wheat products are some tens of millions of men, women and children. If they do not consume the flour, the flour will not be milled, and the millers will not buy. The millers do not mill any way far ahead of the actual sale of flour. They cannot afford to do so. The ultimate consumers of this product, I repeat, are tens of millions of men, women and children. The conditions are different. The financial condition of each is different, and the taste is different. In accordance with the means of the individuals, he or she is prepared to take a certain amount of wheat or of wheat products, and he or she must give in exchange for that certain other products, or pay a certain price which is equivalent to giving something in exchange. Now, what proportion of the available income is one prepared to give for wheat? That will vary, but there comes a point beyond which they will not relatively deny themselves other things in order to take a little bit more wheat. Wheat consumption and sales do actually vary in accordance with price. I have a few notes here. During the year 1905-6, for example, the price of wheat at Liverpool was some four cents a bushel lower than in 1904-5, and the importing world in that year took some fifteen million bushels more wheat than it did in the previous year. In 1906-7 they took thirteen million bushels more, but when the price went up the world's shipments were seventy million bushels less than they were in that year. Those were broken years, but in 1909-10, with the Liverpool price about \$1.10 a bushel, importing countries took five hundred and fifty-six million bushels, and in the year that the ten-cent drop took place, they took six hundred and sixty-two million bushels, over one hundred million bushels more. When the price went back to approximately \$1.10, they went back to five hundred and sixty million bushels, or approximately one hundred million bushels less, so with comparatively few exceptions; consumers purchase in accordance with price, a little bit more, or a little bit less. Now, it does not take very much of economy or diversion of cost to make a very important effect in the world's market. Europe grows a little over fifty per cent—that is with Russia producing—of the world's wheat. During the five years before the war, an average of a little over eighteen hundred million bushels of wheat were imported from other countries than Russia and the Balkans, that is, outside of Europe altogether, three hundred million or four hundred million bushels, so that we may say that Europe consumes every year something like two billion and one hundred or two hundred million bushels of wheat. If the wheat consumers of Europe would deny themselves either one-tenth of a slice of bread or one-tenth of a bit of pastry made of wheat flour, the world could get along without any of the average surplus production of Canada at all for that year. It does not take much of a change to effect a very important change in the world's conditions. Now, there is a certain exchangeable relation between wheat and other commodities. People will give up a certain proportion of what they have available in return for wheat, and beyond a certain limit they will not give more. If the price goes down with a certain proportion, they may take a lot more, and if it goes up they will take less.

*By Hon. Mr. Motherwell:*

Q. Does not that apply to a great many commodities?—A. I think it applies to them all.

[W. Sanford Evans.]



*By the Deputy Chairman:*

Q. It is the economic law?—A. It is the economic law, but I think that it applies as truly to wheat as to everything else.

*By Mr. Milne:*

Q. I am not quite clear about the hedging performance. I can quite understand that they hedge when they buy in the elevators, but when they sell wheat in July for October delivery, is there any risk in that, or have they a way of protecting themselves?—A. A man who sells and who does not own wheat has no way of protecting himself; he is a pure speculator. We are talking not about hedging transactions at all; we have made a distinction between the hedging transaction and the pure speculator who may go into the market.

Q. It is possible to carry on under those complete contracts without any degree of risk whatever?—A. With comparatively little risk. You cannot do away with it altogether, because you can never hedge and protect the premium on cash grain. But whenever the cash is in proper relation to the futures, you can protect yourself almost completely and there are very many, a very much larger proportion, of the total grain trade who try to avoid all possible risk and are pure merchants.

Q. Is it sound economics for a body of men to step in between the producer and the consumer and say, "Here, we are going to look after your stuff and assume all risks;" a body of men that apparently are patriotic and have the farmers' interests at heart, is it sound economics, or should the man who produces the wheat not get actually what it should bring? In other words, if something happened the market, should he not assume the loss instead of the middleman or the body that is in between the producer and the consumer?—A. If the producer could, he might do so; but it seems perfectly clear to me that it is absolutely necessary that somebody distinct from the producer must act as middleman between him and the consumer. There is not possibility of grain being marketed direct from producer to consumer. It is utterly impossible.

Q. You made the statement that the biggest part of the business done in Winnipeg was a purely commission business?—A. Not purely commission, but purely a merchandizing business.

Q. Is that not sufficient? Why should you have to continue this speculation? If I pay a cent or two cents or three cents or ten cents to take my wheat from my elevator at the siding and put it on the market—is that not sufficient?—A. That is what it amounts to, and what the speculator gets does not come out of you at all; it comes out of some other speculator.

*By Mr. Johnson:*

Q. The witness says that it comes out of some other speculator. Where is it coming out of other speculators? They do not all lose money. They must get down to a solid foundation somewhere?—A. I am convinced that the pool getting smaller all the time has got to be resupplied. Taking it as a whole, I am absolutely convinced that the speculator's pool runs into diminishment, due to the commissions which have to be paid.

*By the Deputy Chairman:*

Q. There is a further crop of suckers?—A. A further crop who keep supplying that pool.

*By Mr. Knox:*

Q. I think you will admit that the money made by the speculator comes off the difference in the price received by the producer and the price paid by the consumer?—A. No, sir, I do not think that at all.

Q. I fail to see it in any other way?—A. The consumer can buy at that price, and you get that price. At Fort William you can sell your wheat at that price, and the consumer or his agent buys exactly at that price. There is nothing taken off.

[Mr. W. Sanford Evans.]

*By the Deputy Chairman:*

Q. May I ask a question which may possibly clarify the situation? If one takes say a series of ten years in normal years, say prior to 1914, and establishes the average price paid to the producers of Canada for the wheat which they produce during those ten years; and if one takes on the other hand for those ten years the average price paid by the importers into Liverpool for Canadian wheat, would there be any greater difference than what it would give to take the wheat from Canada to Liverpool, plus fair handling charges?—A. I think not, sir.

Q. Could not those figures be provided? It seems to me that they would enormously help the Committee.

MR. MILNE: You are speaking of the average year?

THE DEPUTY CHAIRMAN: Take the average price of wheat for ten years prior to 1914, so as to make it perfectly clear—your average price may run down as low as 75 cents a bushel, but suppose we call it \$1—then take the average price paid by the importers of wheat into Liverpool, by the people who bought Canadian wheat at Liverpool, and the question I ask is would the difference of price be greater than what would be a fair charge made up of the transportation charges on the wheat from western Canada to Liverpool, plus interest on the money invested on the wheat during the time of transport, insurance, and fair charges for handling? It would not be fair, if you were paying five or six different commissions, but supposing you were paying one commission, what would be the result of that inquiry? Mr. Sales, would not that go to the very heart of the inquiry?

MR. SALES: I did not hear your statement, sir.

THE DEPUTY CHAIRMAN: Let me put my question again, because it seems to sum up what you are driving at: Suppose we take the average price of wheat in Western Canada for the ten normal years before 1914. Suppose we take the price paid by importers, grain brokers in Liverpool for Canadian wheat during those ten years, would we find the difference in price more than what would be justified by the costs of transportation, insurance, interest on the money invested, storage, and a fair handling charge?

MR. SALES: I think you would. You would have to find the amount of wheat delivered practically on each day, and the price the farmer actually received for that wheat. This averaging business is no good at all, because as that chart shows, and as Mr. Evans proved conclusively years ago when I heard him in Regina, our system of marketing is wrong, and he says in his own language that we delivered at a certain time more wheat to Great Britain than Great Britain was willing to take, and at the time when we are delivering 75 per cent of our wheat the price is low. The law of averages would be all right if there was a similar amount of wheat delivered on each day, but how can you average it when 75 per cent is down low?

THE DEPUTY CHAIRMAN: Is not that the question, whether 75 per cent of it is low? I do not want to argue the matter, but tell us whether if those figures were obtained it would help us in arriving at a conclusion.

MR. SALES: I would commend you to Mr. Evans' own words.

THE DEPUTY CHAIRMAN: I presume Mr. Evans is thinking of the aphorism: "Oh that mine enemy would write a book."

MR. SALES: Let us take Mr. Stewart's statement—

THE DEPUTY CHAIRMAN: Are you going to argue something, or to ask a question? I would suggest that we have a couple of days set aside for argument. I think we had better postpone argument until we finish with the witnesses.

*By Mr. Millar:*

Q. I heard a statement made this winter by a man who is considered to be something of a grain expert, to the effect that at one time during this winter if you

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took the Liverpool price and deducted the carrying charges there was a spread of 12 cents?—A. I have never traced any conditions showing anything like that.

Q. You have traced some?—A. Oh, yes.

Q. To any great extent?—A. Very frequently. For a time I followed it quite regularly.

Q. What was the greatest spread you found?—A. It varies according to freights and everything else.

Q. But if you take off the carrying charges?—A. Very, very small; it is often difficult to figure out how the trade could have taken place.

Q. When the Liverpool market is glutted, is there not a considerable spread?—A. Not very often.

Q. What is the greatest you have known?—A. I have not those figures here, and I would not like to say. That has never attracted my attention as indicating any margin that would be significant of anything.

Q. You could not give the figures?—A. No.

The DEPUTY CHAIRMAN: A farmer in my county quoted the definition of an expert to me as follows: "An expert is just an ordinary man a long way from home."

The WITNESS: In this chart I took the relationship that existed in the year 1913-14 in Canada between wheat prices and the average of all wholesale commodities in Canada. Wheat was a certain price and other commodities on the average were a certain price, and at these relative prices wheat was exchanged according to the quantities we had in that year. It is my opinion, as indicated by this chart, that probably wheat prices were relatively low in 1913-14, but in any case, taking that year and putting them both at 100 per cent, they are in their normal, exchangeable relationship with wheat and other commodities. During the first year of the war other commodities tended upward on the average, but wheat showed all that excess increase in percentage. Wheat came to the point where even the Allies had ample supplies, because we had that enormous crop in 1915, and the United States had a very large crop. Under those conditions you will see that wheat returned to its normal relationship to other wholesale commodities. That was higher than this range of prices, but you will see that they straddle each other during that crop year. Then the scare of the submarines occurred, and other special war conditions, which drove up the prices of wheat, and it showed that excess margin over other commodities on the average. Then you have here (indicating) the Board of Grain Supervisors years, with the fixed price, and here your Wheat Board year with the price of \$2.30. If that had been continued another month it would have brought them to what we describe as the normal relationship. Owing to the conditions outlined by Mr. Stewart with reference to the Minneapolis market, he increased his price, and there was in the Wheat Board year that excess margin as compared with other commodities. General commodities had been moving upward almost continuously during that period until May of 1920. At that time deflation began to take place, and the prices of all commodities began to drop. General prices began to come down before wheat prices. That was owing to special conditions and an abnormal, fictitious, unstable relationship between wheat and other prices. Wheat was relatively scarce and relatively higher than the price which, under normal conditions, people would purchase it at. If general prices begin to come down wheat must tend to come down until the exchangeable relationship is re-established between them. Largely owing to the peculiar conditions which have been outlined to you, in which the Allied governmental commissions over-purchased in April, May and June, with purchasers out of the market that decline in wheat was very sharp, and by December it had almost come down to the normal exchangeable relationship.

*By Mr. Johnson (Moosejaw):*

Q. You mean December last?—A. No, a year ago; this is still 1920. When prices are going up, if anyone purchases here and sells here he makes not only his  
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ordinary margin but an excess profit. When prices are going up there is always a tendency to excess profit. If you plant your fields at that time with labour and other things at that cost and harvest your crop here (indicating) you tend to have an excess profit. If wheat had continued right along this line there would have been theoretically a tendency to some excess profit, but there was all that (indicating) in addition. When you harvested the crop of a year ago you put it in at cost there, and when you come to market it it was a loss, theoretically, and probably practically a loss. That was not any different to what happened, theoretically at least, to everybody in the business at that time, but I want to point out that the working of the general forces, the resultant of all the influences that existed in the open market when that charge took place did not even under those exceptional conditions put wheat below what we call its normal parity.

*By the Deputy Chairman:*

Q. But wheat having gone up higher, the descent was quicker?—A. Yes; and that was an absolutely artificial elevation. It was caused by the panic buying of the European commissions at the tail end of the last crop. They bought everything in sight, and the drop was exceedingly severe.

*By Mr. Johnson (Moosejaw):*

Q. It is very clear to me how you can get to a specific place with that dark line, because it represents one commodity and a definite figure at which you can easily arrive. I would like to know on what you base your calculations on the dotted line? You say the wholesale price of other commodities. Where was that price based?—I took for that purpose the index number of 272 wholesale commodities as worked out by the Department of Labour; that is the only index we have, and it should be reasonably satisfactory.

*By Mr. Knox:*

Q. How do those two lines compare if you carried them on through another year (referring to chart)?—A. Carrying that along, wheat remained above other prices until last August, as compared with pre-war times, wheat last August stood at 115 per cent instead of 100 per cent. At that time the price you realized might not have enabled you to buy as much as before the war of retail articles, because retail prices were lagging behind wholesale prices in coming down. Compared on a wholesale basis even last August it was 115 per cent.

Q. How about the end of the year?—A. I am coming to that, because we run into a serious condition which, however, is related to a world condition. To trace the relationship in the United Kingdom market, which for this purpose as well as for others may be accepted as the dominating market, we have to go back to a year ago last November, when the industrial boom in every direction following the Armistice ended. As you know, for many months following the Armistice there was extreme activity in every direction, and then following the Railway Strike in Great Britain there happened what has been described as a strike of purchasers and consumers, and there was a collapse in almost all values. Taking the *London Times'* index numbers which distinguish foods of all kinds as a class from the main materials of industry—in the latter class are included iron, copper, steel, tin, lead, coal, petroleum, wool, cotton, hemp, flax, jute—in November of 1920 foods were 276 per cent of pre-war prices on the average and materials were 265 per cent. That is, there was only a fraction of percentage of difference in their relationship as compared with pre-war times. But following the collapse of the industrial boom, one after the other of those raw materials suddenly dropped. Wool dropped, and Australia experienced extreme financial difficulties. Cotton dropped, and Egypt suffered as well as the southern States. Ores dropped, and also lumber. Everything came down with a crash, and when last August arrived we found that foods as a whole were 209 per cent

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of their pre-war value and materials were only 169 per cent. The materials had dropped 40 points below food. They could not use those materials, largely because labour was too high, and labour was too high largely because foods were too high. If there is anything in the normal exchangeable relationship between foods and the other main materials that are used by men, then you had there a fictitious and unstable relationship which had to be adjusted. During September and October foods collapsed exactly in the same way as these other materials collapsed before them, and at the end of October foods were 175 per cent and materials 169 per cent, less than 6 points separating them; whereas 40 points had separated them two months before. Foods came down pretty nearly to the normal exchangeable relationship to which they must get in some way if trade is to take place normally. That took place in this chief and almost dominating market of the United Kingdom, and foods suffered last; all foods came down at the same time.

*By Mr. Evans:*

Q. When you say foods, do you mean wheat or flour?—A. Both wheat and flour are taken by the *Times*.

Q. There has been no relation in the prices of wheat and flour during the last year?—A. The *Times* takes both wheat and flour and eggs and butter and all sorts of things that enter into foods; meats and everything of that kind are included.

*By Mr. Knox:*

Q. When you take materials, you take the raw product. When you take food, should you not also take the raw product?—A. I should. I am merely accepting the index as worked out by the *Times*. It is considered a pretty good index, and it is the only one that happens to be available.

Q. But I think that that is manufactured food products?—A. It takes the meats, it does not take the animal on the hoof.

*By Mr. Milne:*

Q. How did you arrive at the normal relationship?—A. That is the relationship which existed in 1919.

Q. Is it your opinion that that is the normal relationship that should have existed?—A. I would not say in all respects, but that is what this is composed of. That is taking the relationship in 1913 as 100, we have those changes taking place. Now what happened in western Canada was this: Our general prices in Canada as a whole were drifting down steadily somewhat like this and they continued to drift down. Those general prices in Canada were not seriously affected when wool dropped. Australia was all tied up, but it had only a slight effect when iron dropped and when cotton dropped. All those things one with the other, had only a comparatively slight effect at the time on our general prices. When after August, in September and October, that readjustment took place in the markets outside of Canada, our prices dropped below the line of the general prices in Canada, and at the end of October your bushel of wheat would only purchase 74 per cent as much of the general commodities as it would purchase in the two years 1912-13 and 1913-14. Your cattle in October would only purchase 46 per cent as much at the general average of wholesale prices as they would have purchased in the two or three years before the war. Your oats were down to 68 per cent I think, and your hogs were not down quite so far. The main staples of the western country, and the produce of Canada as a whole had dropped below the average of the prices in the country, and that diminution of purchasing power is what has been the matter with the farmers and with Canada the past few years. Now the general tendency is for those things gradually to readjust themselves, and that readjustment though somewhat slow has been going on. At the end of the month of March the wheat at the average price for the month of March would purchase 94.61 per cent as much goods at wholesale prices as they would have purchased before the war.

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*By Mr. Sales:*

Q. But that is not fair?—A. Why not?

Q. Go back to when we were getting only \$1.25?—A. It went to 74.6 in December, 76.3 in January, 88.45 in February and 94.61 in March, and at the highest price of cash wheat it went back to 100 in purchasing power.

*By Mr. Sales:*

Q. How does that help the man who sold his wheat in October and got only 80 cents a bushel for it.

*By Mr. Evans:*

Q. I would like to ask a question—

The DEPUTY CHAIRMAN: Mr. Sales has asked a question and I think that Mr. Sanford Evans is going to try to answer it.

The WITNESS: I would not know how to deal with Mr. Sales' question because the prices I have taken in 1912-13 and in 1913-14 are the Fort William prices. I am taking the same prices here and making a comparison there. I do not know about the country position.

Q. We will take the Fort William price at \$1.02 or at \$1.07 at which many of our farmers sold their whole season's production.—A. If they sold at that price in October they could not buy more than three-fourths of the quantity of goods which they could have purchased before the war.

Q. I would say about one-half.—A. Taking the three main staples, the farmers could not purchase two-thirds at that time, probably not more than that, of what they could have purchased before the war. There is no question about that condition, but as I say at the end of March, after the readjustment which has been taking place with the decline in other prices and the stiffening of wheat, you have wheat back to 94.61 and oats back to 83.83. Cattle is still very low, at 64.05, and hogs are at 98.93.

*By Mr. Warner:*

Q. I wanted to draw the attention of the witness to the fact that he has told us that 92 per cent of the grain was harvested in four months?—A. Well, in six months; about 75 per cent would be marketed in four months.

Q. He is now giving an illustration of what wheat would buy in March after it had passed out of our hands altogether. I wish to give an illustration if it is permissible.

The DEPUTY CHAIRMAN: We ought to try to finish with the witness and then argue on his evidence afterwards. It seems to me that that would be the better way to proceed. If you have a direct question to ask, this is the time to ask it.

Mr. WARNER: I will defer my illustration until afterwards, but I would ask what percentage of wheat would be in the farmers' hands when as you say the commodities had got so closely together?

The WITNESS: I have no direct evidence of what proportion of wheat in western Canada is still owned by the farmers. Some of it undoubtedly was at that time, and perhaps a fair proportion, but I have no figures.

*By Mr. Warner:*

Q. Would he have any marketable grain to speak of over and above what the country elevators would show?—A. Do you mean the surplus on the farm?

Q. Would there be a surplus among the farmers to seed the farms again, or would there be a surplus over and above that?—A. In the previous year, from the beginning of March until the new crop began to come in, I think the farmers' delivery from the farm approached 20,000,000 bushels. There may not have been that much this year; I cannot tell. But there would be some surplus on the farms

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certainly, and the farmers would own some in the country elevators and some in the terminals. But taking the whole visible supply, and not counting what was on the farms, as compared with last year's visible supply, the purchasing power of wheat in western Canada this year was greater than it was in Canada the year before. That is the first encouraging sign that I have seen during the past six months.

Q. What benefit would the farmer get when it was not his wheat any more?—

A. If it was not his wheat, he would not get the benefit, but some of his neighbours might benefit, and he might get something indirectly.

*By Mr. Millar:*

Q. In regard to oats, unless they have risen much in price since I left, I think the price was 20 cents a bushel. What percentage could 20 cents per bushel buy?—  
A. I do not know about the 20-cent price. I was taking the Fort William price during the two years. Twenty cents would not buy very much.

Q. Did you give the prices covering last March?—A. Yes.

Q. I am not sure, but I think that in the country about 20 cents a bushel would be the price of oats.—A. During the month of March the average was 49.5.

*By Mr. Brown:*

Q. Basing those estimates on the Fort William prices, is the comparison fair when you take into account the great increase in the freight rates? The proportion which a man is receiving on a farm to-day is not what it was.—A. That is very probable. I am not making any argument, I am not arguing that now the farmer is relatively well off even with those prices compared with what he was before, taking all conditions into consideration. I am merely dealing with general world conditions which must affect the price of our grain. Of all your other commodities, which in one way or the other form the basis of the purchasing power of the world which consumes your wheat, they can only give in exchange a certain proportion for your wheat, and your wheat has to come into an exchangeable relation with other commodities. And if any of the conditions, such as have prevailed, do prevail, all those other things drop. Those things have to come together, and if one does not come up, the other has to come down. That has occurred in two violent movements, one in the fall of 1920, and the second one in September and October of last year; and those changes took place outside of Canada altogether before they showed their effects here. They affected everybody's food. In the United Kingdom food was the last to come down, and it never came down near to other things. Here, owing to the conditions of this country, our general prices were slow to feel the effects of those drops in the main staples in other countries. Our foods dropped low and did paralyze the purchasing power of the farmers in this country, and the business of this country. There is no question about it, and there is no one who realizes the situation at all who does not appreciate all the earnestness which has been put into the representations made in that respect. It was when I first noticed that change in the relationship, and became convinced that serious consequences would follow, that I started to work out these index numbers, and I have kept them up ever since. There is a slight improvement. The farmers' condition is not normal even yet, but the conditions are gradually tending with those great forces to modify and remove the extreme of disability which was created at that time. Now those three points were in my mind particularly as possibly being of some assistance to this Committee in considering the local problems: first, to show how the world system does distribute wheat and why; how it takes and distributes it; in the second place, how the great world's conditions tend to create basic prices and adjust them and adapt them to the quantities that exist; and then third and most important that wheat has a relationship to other things, that it must be exchangeable, and that it can only be exchangeable in a certain relationship. That applies to other things outside the

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wheat problem altogether. If other things drop away from the level that wheat is at, or if they soar above it, wheat will in time seek its adjustment and must do so.

*By Hon. Mr. Motherwell:*

Q. Had a Wheat Board compulsory or otherwise been in operation last September or October during the headlong rush which we all remember, do you think it would have had any appreciable effect of steadying up that tendency?—A. I think not. I do not think it would have had any appreciable effect. Every country suffered from it. Australia at that time had a Wheat Board, and its Wheat Board was in full operation until the 30th of November, and yet Australian prices collapsed in the same way.

Q. Supposing that every exporting country had complete control of their output; take the Argentine, Australia, the United States and Canada, and possibly India; if they had complete control of their output could they have acted in collusion? I presume they could have kept up the price?—A. They would not have sold much wheat.

Q. For a while?—A. Of course, anyone with Governmental powers can force up the price, but the higher your price goes, the smaller becomes the class of consumers who will take it. Your problem always is to dispose of whatever quantity is produced in that year. That is the world's problem, to get people to take it. You cannot compel the consumer, no Government could dictate to everyone of the hundreds of millions who use wheat flour and say you must eat so much, or you must give in exchange such and such a proportion of your total amount. They cannot do that. Unless the people take it, you cannot dispose of what you have to sell. Wheat Boards, if they existed in all countries, could force a high price for wheat, but they could not sell the crop.

*By an hon. Member:*

Q. Would not the people have to eat?—A. There are a great many things to eat besides wheat, and there are many hundreds of millions in the world who never eat wheat. A lot of people would sacrifice a great deal rather than eat without some wheat, but a very slight change in regimen would make a big difference to the exporting countries.

*By the Deputy Chairman:*

Q. The consumption of oatmeal porridge might considerably decrease.

*By Hon. Mr. Motherwell:*

Q. Would it be possible and could it be reasonably contemplated, that the Wheat Boards of Australia, the Argentine, Canada and other countries would all co-operate to raise the price?—A. I would think it would be extremely difficult to bring about effective co-operation, and it is my opinion that no matter what co-operation they effected, they could not compel the consumer.

*By the Deputy Chairman:*

Q. It would also be an interesting question of ethics as to how far the countries who had large exportable surpluses of wheat to sell would be justified in forming a ring for the purposes of forcing the countries who needed wheat to eat to pay a higher price.

*By Mr. Millar:*

Q. If, Mr. Evans, in any one year any one of the great wheat growing countries should too readily and too rapidly press their wheat on to the British market as long as their supply lasts, does not that affect the price in all the wheat exporting countries of the world to a certain extent?—A. I believe that everything tends to affect the market. The law operates even locally as well as generally. My point is that there are so many correcting factors. If one gets too weak and its prices get down, there

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are so many that buy; they put all their purchasing hedges in it and it tends to raise that. Temporarily there is a slight effect, but under the world system as it is organized they never get very extreme.

Q. But the effect is there?—A. Both ways, and slight delays would tend to affect it.

*By Mr. Brown:*

Q. I would not urge for a Wheat Board in this or any other country to increase the cost to the consumer, but I would like your answer to the question put by the Chairman, a little while ago as to the cost of handling. The Chairman's question related to the price to the producer as compared with the price in the Old Country. Would you care to state your opinion as to whether there has been more than a fair margin of handling charges together with transportation?—A. On the whole, in my opinion, the margin has been small. It varies at times, of course; but I believe that the general conditions and competition tend to keep that on the whole pretty narrow.

*By Mr. Millar:*

Q. Does that cover transportation across the lake, and also insurance?—A. Yes.

Q. Could not that be lowered?—A. If you can lower any one of the factors that enter into cost—

*By Mr. Motherwell:*

Q. The poverty of Europe is a big factor?—A. Yes.

Q. The need is there, but the ability to pay is not?—A. Yes.

*By Mr. Milne:*

Q. You have displayed a remarkable grasp of the situation. I understand from your remarks that you are opposed to the principle of centralized selling. Will you sum up concisely your reasons why, in your opinion, the Wheat Board would not operate to the best interests of Canada as a whole?—A. I had not thought of attempting to sum up the case. I stated at the beginning that it was my conviction, after very careful consideration, that the balance of economic argument was against the re-establishment of the Wheat Board. The Wheat Board might or might not succeed in accomplishing much that has been claimed for it, but as I see it, under the conditions in the world, there could be no assurance, nothing that would render it inevitable that a Wheat Board could make any net saving to the farmer in price. They might or might not succeed in getting on the average a little more of the higher points and a little fewer of the lower in the year. I am convinced that a Wheat Board could not alter the world's basic price, and it might or might not in some cases get a little bit more. Then as regards the cost of marketing, I see no reason why a Wheat Board could make any saving, because the costs are moderate and the Wheat Board could not do without the machinery that now exists. In any case, the margin in which savings could be effected is narrow. There is not very much field for them to operate in. Under those conditions, when the possibility of gain is small, the balance is turned by the effects and dangers of attempting to displace the whole system on which our society is organized to-day, and our civilization built up, with a different system which substitutes combination and monopoly with bureaucratic direction for the free play, under some regulation, of individual initiative and enterprise. One of the important points which weighs heavily with me is the regulation of production and supply. I am convinced, sir, that quantity makes price. It ought to, theoretically, and the effects seem to me clearly to prove that quantity makes price. If you want a higher price basic level it will only come about either when you stimulate or increase consumption, which might possibly be stimulated in many ways, or when you decrease or regulate production. When you get quantity once in the world, price is going to be made during the time that that quantity is in the world, which is in conformity with the relationship between that quantity and the factor of demand.

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*By Mr. Millar:*

Q. Which price are you speaking of, the price to the consumer or the ultimate price?—A. The price to the consumer, the world basic price, which we find nearest to the consumer. You can over-produce any particular article. I do not think it is possible that there can be over-production in general. This world has never yet produced enough of all kinds of articles to give a satisfactory share to every human being, but it is very easily possible to over-produce any one class of articles; that is, to produce them out of relationship to the other classes so that people will not exchange these other things for the balance that is left because it is too much. If that is true at all, it is true of foodstuffs, and perhaps more so than in the case of certain other things, because you and I can only eat a certain quantity. If we over-indulge at one time we shall under-consume at some future time. If this statement is true of foodstuffs in general, it is particularly true of some certain kind of food, because tastes vary. Theoretically, it is easily possible to over-produce wheat and to produce it in such quantities that people will not exchange for it enough to give the producer a satisfactory return for all he has produced. How are we going to tend to maintain that adjustment? I am quite certain that no bureaucracy can ever regulate production, even a world-wide bureaucracy. It would involve giving instructions to every individual producer as to how many acres he should plant and how many bushels he should raise, and the multitude of contingencies that would arise would make it absurd to expect any satisfactory result. You could not do it, but if you could you would not, as producers, stand for it. Furthermore, it would be too slow. It would take a year or two before you could find out exactly what you had had the previous year, how much was eaten and where it was grown. You could never catch up with bureaucracy in the matter of production. You want something that would act more promptly and more directly than any bureaucratic system could, and it seems to me that that is supplied in the open market system, because every consumer is, by the price he pays or the price he refuses to pay, or the counter-offer he makes every day all over the world, registering his opinion of the exchangeable value of wheat at that time.

*By Mr. Evans:*

Q. You have compared world prices of grain with other commodities, but you have overlooked from beginning to end the price paid to the farmer. We do not hope to raise the world's prices by means of the Wheat Board, but we hope to affect a saving between the farmers' price and the export price, and even if you could say that there is no margin there, I cannot see the objection to the Wheat Board. I want to point out to you that the farmer here is in exactly the same position as those sellers of wheat were who put their cargoes on the Liverpool market before they made a contract. That is the position we are in, and I feel, with all deference to yourself, that you have missed the very point that the farmer has in mind, the saving in the cost between the farmer's wagon and the export price?—A. I am not quite sure as to what you would include there. Do you mean you would have preferred me to base this discussion on street and track prices instead of Fort William, or what?

Q. The price the farmer gets in the country?—A. That would be either street or track.

Q. Yes?—A. If I had been prepared I should have been quite glad to take the discussion on that basis, too, but I have not got a list of the street prices here, and I took the available ones of Fort William.

Mr. JOHNSON (Moosejaw): Mr. Evans' argument on the general economic situation has proved wonderfully instructive, but he himself admits that the thing has got out of relationship. We want to get it back into relationship. His expert advice is splendid in theory. It is just like a school in domestic science, if you want to learn how to cook, go there and learn; but if you want to get a good square meal, go home.

WITNESS: In my mind I had not wandered.

[W. Sanford Evans.]

*By the Deputy Chairman:*

Q. When you have concluded your remarks you might answer Mr. Johnson's observation?—A. Yes.

*By Mr. Johnson:*

Q. We will agree that the situation exists. What shall we do to remedy it?—A. I believe that the ordinary natural forces will bring about that adjustment as quickly as it would come in other ways, and it is not necessary even for this readjustment in these exceptional circumstances to go outside of the ordinary laws any more than Europe should decide to go out to meet the extreme difficulties in connection with the question of exchange.

Q. In other words, you believe that a continuation of the present system will soon adjust matters?—A. Yes.

MR. WARNER: We would like this adjustment immediately.

*By Mr. Millar:*

Q. Is it not possible for wheat to go above the level of other prices to which you have referred on that chart, and yet the farmer raise grain at less than cost?—A. You mean it comes down here (indicating)?

Q. The prices at the very time when the wheat line is above the other one. He should be doing pretty well, and yet he would be producing those oats and wheat at less than cost?—A. That man ought not to be in the wheat farming business.

Q. That is where he is now?—A. Yes, because this process is still going on, and every time he increases his costs there (indicating) he sells down here. He cannot help losing at this stage.

THE DEPUTY CHAIRMAN: As we are not going to sit again until Thursday I think we should permit the witness to proceed without interruption for five minutes.

WITNESS: Mr. Chairman, the price every consumer pays or declines to pay is a direct message to every producer, and you get that every day over the wires. If you cannot produce at the prices which the world's consumers are prepared to take wheat for, you should not be in the wheat farming business. As has been said earlier, we must bring our costs of wheat production down if we expect to stay in the wheat producing and wheat exporting business. The world's system has worked fairly well with fluctuations, despite changing conditions of climate. The world's production of wheat has increased and has never yet in all these centuries for any long period of time been found altogether unprofitable. There has been a relationship maintained, and if it departs for a year or two it tends to be brought back to a relationship which gives a return that has fairly well satisfied hundreds of thousands of wheat-producers. If you substitute that system for a system which makes the farmer who has low costs or who is in a position of advantage carry the farmer who is on the margin of production or below it, you run a grave danger of letting that system carry him along on the backs of those who are well situated until you may find that every man in Canada is below the margin in which wheat can be produced at a profit. I can see no system of a bureaucratic character which obscures from the individual the direct relationship of price to cost that will not incur grave danger. That argument alone would outweigh with me anything but the clearest possible demonstration of an enormous temporary saving for the farmers in connection with their business.

*By Mr. Sales:*

Q. In spite of all that, New Zealand, which is one of the most progressive countries in the world, is doing the very thing which you say is no good, both in connection with its wheat and its meat?—A. New Zealand's system of control will last until March, 1923. During that time the Minister of Agriculture or the commission concerned is going to purchase at a guaranteed price the total New Zealand crop. New Zealand is the only part of the world, with some slight exception in the case of the

[W. Sanford Evans.]

Scandinavian countries, that has any form of direct federal control over anything. Their meat problem is entirely different from their wheat problem. In December last the Premier of New Zealand, as I remember it, outlined his meat scheme and what it was hoped to accomplish by it. He stated definitely at that time that there was no expectation that they would materially affect the price of meat. He said there might be some slight effect in stabilizing prices, but the situation in New Zealand was that they were shipping from a large number of different ports, and the meats were not graded. Drovers sent their cattle and had them slaughtered at a great many different ports, and a vessel carrying meat would call at one port and get a load, and there would be two or three classes in each section. That vessel would go to another port in New Zealand and get some more, and they would sail all around the coast, pick up a load and start for the United Kingdom. The proposition was to limit the number of ports at which shipment would take place, in the first place, so as to concentrate the shipments. Then they decided to put in a system of grading so that the cargoes could be loaded on the vessel according to grade and not according to a lot of different consignments. There were those two savings in New Zealand and when it came to London there were similar savings to be made for the handling and storing in London. The Premier of New Zealand admitted that they might save between a penny and a penny and a half a pound in those ways, but he expressly stated that it was not intended to have any particular influence on prices. What New Zealand is trying to accomplish in meat, we have in wheat. We have grading, we have bulk handling, the most economical and simplest system of handling in the world. This New Zealand meat scheme is an attempt to get for meat what you have already got for wheat.

Mr. MACKAY: At a former meeting I understood that the Sub-Committee were authorized to get information which would be offered to us by Mr. Evans not only with regard to New Zealand, but to Australia. Have we got that information?

The DEPUTY CHAIRMAN: We have conferred with the law officers and have got some further information from them.

Mr. MACKAY: We have had a good deal of information on that point during the last three or four days in the newspapers.

The DEPUTY CHAIRMAN: The Sub-Committee has not yet prepared this report. We hope to have it for the next meeting of the Committee. Now, I think there is nothing left for us to do but express our thanks to Mr. Evans for his interesting and exhaustive treatment of the subject. I am sure we are all grateful to him.

The Committee adjourned until Thursday, May 4th, at 11 o'clock a.m.





SELECT STANDING COMMITTEE

ON

# AGRICULTURE AND COLONIZATION

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Minutes of Proceedings and Evidence

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No. 12--THURSDAY, May 4, 1922

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SEP 20 1943



# MINUTES OF PROCEEDINGS

THURSDAY, May 4, 1922.

The Committee met at eleven o'clock, a.m., Mr. Kay, the Chairman, presiding. Present: Messieurs Baldwin, Boivin, Boucher, Bourassa, Brethen, Brown, Caldwell, Carruthers, Chew, Clifford, Déchéne, Denis (Joliette), Desaulniers, Desrochers, Evans, Fafard, Fontaine, Forke, Forrester, Fortier, Fournier, Gauvreau, Good, Hatfield, Jelliff, Johnson (Moosejaw), Jones, Kennedy (Glengarry and Stormont), Knox, Lanctôt, Lapierre, Leader, Léger, Lovett, Lovie, Lucas, MacLean (Prince), McConica, McCrea, McKay, McKillop, McMaster, McMurray, Malcolm, Millar, Milne, Morin, Morrison, Morrissey, Motherwell, Munro, Ouimet, Papineau, Prévost, Pritchard, Rankin, Raymond, Robinson, Sales, Savard, Séguin, Senn, Sexsmith, Sinclair (Oxford), Sinclair (Queen's P.E.I.), Stein, Stevens, Stewart (Humbolt), Sutherland, Thurston, Tolmie, Warner and Wilson.

The Chairman read the letter from Mr. F. C. Cornell and the telegram from Mr. F. W. Riddell which appear in the minutes of evidence.

On motion of Mr. Johnson, seconded by Mr. Tolmie the report of the sub-committee appointed to confer with the law officers of the Crown and grain experts, was received and ordered to be printed in the minutes of evidence of to-day.

On motion of Mr. Evans it was ordered

That Mr. F. W. Riddell be notified that the Committee would hear him on Tuesday, May ninth.

On motion of Mr. McMaster it was ordered

That the Resolutions and Correspondence on the table of interest to the Committee, be taken as read and incorporated in the minutes of evidence of to-day.

On motion of Mr. Good, seconded by Mr. Johnson, it was ordered

That Messieurs Warner, Stansell and McKay be a sub-committee to collect, examine and tabulate the Resolutions sent to members of the Committee and to report the same.

Committee adjourned at one o'clock, p.m., to meet on Tuesday, May ninth at eleven o'clock, a.m.

ARTHUR GLASIER,

*Clerk to Committee.*

COMMITTEE ROOM 421,

HOUSE OF COMMONS,

THURSDAY, May 4, 1922.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock a.m. the Chairman, Mr. W. F. Kay, presiding.

The CHAIRMAN: I have here a telegram from Mr. Riddell:

"Sorry unable to appear before Agricultural Committee earlier owing to sickness. Am able now to get about and if necessary would be glad to appear. Wire me latest date. Would like to defer it if possible for another few days to enable me to get into better condition but will come whenever you desire.

(Sgd.) F. W. RIDDELL."

(Discussion Followed).

The CHAIRMAN: I will read this letter from Mr. Cornell:

"April 27th, 1922.

F. W. KAY, Esq.,  
Chairman, Committee on Agriculture and Colonization,  
Room 457, House of Commons,  
Ottawa, Ont.

Dear Sir:—

In reply to request made by members of your Committee, we beg to place before your Committee the following information:

#### TRACK PRICES

These are track prices as paid by millers located at Saskatoon and Medicine Hat for One Northern Wheat delivered to the mill:

##### Medicine Hat—

	Oct. 31	Nov. 30	Dec. 31
1919	\$2.08	\$2.08	\$2.58
1920	2.10½	1.47½	1.72½
1921	.98½	1.05½	1.07½

##### Saskatoon—

	Oct. 31	Nov. 30	Dec. 31
1919	\$2.08	\$2.08	\$2.58
1920	2.11	1.49	1.72
1921	.95	1.00	.97

#### FLOUR PRICES

Prices given below are the list prices in effect at Medicine Hat and Saskatoon on corresponding dates and are the net cash price f.o.b. the mill in 98lb. jute bags:

##### Medicine Hat—

	Oct. 31	Nov. 30	Dec. 31
1919	\$5.10	\$5.10	\$6.22½
1920	5.72½	4.82½	4.82½
1921	3.25	3.25	3.30

##### Saskatoon—

	Oct. 31	Nov. 30	Dec. 31
1919	\$5.15	\$5.15	\$6.22½
1920	5.72½	4.37½	4.37½
1921	3.30	3.30	3.30

The prices as quoted for 1919 are for Government Standard Flour and for 1920 and 1921 are for Standard Second Patent Flour as this grade is the only grade now on the market which compares with the Government Standard of 1919.

When taking into consideration the price of flour, there must of necessity be considered the price of bran and shorts. For every one dollar decrease in mill feeds per ton a corresponding advance of 2½c. per barrel must be made on flour or vice versa. We quote below prices on bran and shorts in dollars per ton packed in 100-pound jute bags:

Medicine Hat—

	Oct. 31		Nov. 30		Dec. 31	
	Bran	Shorts	Bran	Shorts	Bran	Shorts
1919.. . . .	\$40 00	\$50 00	\$40 00	\$50 00	\$37 00	\$44 00
1920.. . . .	41 00	46 00	36 00	41 00	33 00	35 00
1921.. . . .	15 00	17 00	17 00	19 00	19 00	21 00

Saskatoon—

1919.. . . .	40 00	50 00	40 00	50 00	38 00	45 00
1920.. . . .	42 00	47 00	37 00	42 00	34 00	36 00
1921.. . . .	15 00	17 00	17 00	19 00	19 00	21 00

The prices quoted above both on flour and feeds are the list prices in effect by the mill located at these points and millers who are located at outside points must meet these prices to do business. The reverse also applies. There seemed to be some misunderstanding on this point.

In answer to a further request, we are quoting below flour prices at Montreal. These are the net cash price per bag packed in 98-pound jute bags and for purposes of uniformity 1919 quotations are on Government Standard Flour and 1920 and 1921 are for Second Patent Flour:

Montreal—

	Oct. 31	Nov. 30	Dec. 31
1919.. . . .	\$5 45	\$5 45	\$6 57½
1920.. . . .	6 20	5 25	5 15
1921.. . . .	3 50	3 45	3 45

Bran and shorts on the same dates were as follows:—

Montreal—

	Oct. 31		Nov. 30		Dec. 31	
	Bran	Shorts	Bran	Shorts	Bran	Shorts
1919.. . . .	\$45 00	\$52 00	\$45 00	\$52 00	\$45 00	\$52 00
1920.. . . .	40 00	45 00	40 00	42 00	40 00	42 00
1921.. . . .	21 00	23 00	23 00	25 00	26 00	28 00

COST OF MANUFACTURE

With regard to the cost of manufacture we quote here below the actual manufacturing cost per barrel of a 1,500-barrel mill which, in our opinion, is truly representative of the average commercial mill:

September 1, 1919, to August 31, 1920, \$1.19.63 per barrel, 196 pounds.

September 1, 1920, to August 31, 1921, \$1.00.72 per barrel, 196 pounds.

Note—

1. Wages and salaries practically the same in both years. If any difference slightly higher in 1920-21.
2. Production in 1920-21 was 71,329 barrels over 1919-20.



## SELECT STANDING COMMITTEE

3. Costs do not include cost of containers. These costs are derived from the following:—
1. General expense.
  2. Management, office and mill wages.
  3. Selling.
  4. Power.
  5. Interest and exchange.
  6. Insurance.
  7. Depreciation.
  8. Bad debts.
  9. Bond interest.
  10. Preferred stock interest.

We would like to refer you to the independent audit made of the mills in 1918 by the Department of Labour in which the finding of their investigation which covered a period of five years conclusively proves that the profit per barrel on flour was less than  $2\frac{1}{2}$  per cent. Competitive conditions at present are if anything more keen.

In closing we would like to place this Association on record as objecting very strongly to the insinuation made by members of your Committee that we are attempting to evade answering questions. We have absolutely nothing to hide and are thoroughly prepared to answer any question within reason provided sufficient time is given. As an Association, we keep absolutely no record of wheat prices or flour prices and it was therefore necessary to get this information by telegraph. We regret very much delay in placing this information before you, and trust that this delay will not inconvenience you in any way.

Yours very truly,

(Sgd). F. C. CORNELL,  
*Secretary.*

The CHAIRMAN: Have you the report of the sub-Committee ready, Mr. Johnson?  
Mr. JOHNSON (Moosejaw): (Reading):

## REPORT OF SUB-COMMITTEE

Composed of Mr. R. M. Johnson, Chairman, Hon. S. F. Tolmie and Mr. A. R. McMaster, to Agricultural Committee.

Your Committee begs respectfully to report:

1. That your Committee were appointed on the 24th day of April, 1922, "with authority to confer with the law officers of the Crown and experts in the grain business, including Messrs. James Stewart and F. W. Riddell, and such others as it may deem advisable to ascertain to what extent the Canada Wheat Board or other national wheat marketing system, compulsory or otherwise, may be established by this Parliament, with or without supplementary provincial legislation, and to report their findings to this Committee".
2. That your Committee submitted to the Deputy Minister of Justice the following questions:

1. Is it possible from a legislative standpoint through legislation passed by the Federal Power and by the several provinces of the Dominion to create a Canadian Wheat Board with powers identical with that created in 1919?

2. What powers must be given to such a Board from the Federal Power, and what from the Provinces?

3. What would the extent of such powers be, territorially?

3. That your Committee, accompanied by Mr. James Stewart, waited upon the Deputy Minister of Justice and had the advantage of a personal conference with him on the points raised, and we also received from him a copy of his Memorandum under date of the 28th April, 1922, submitted by him to the Minister of Justice. This Memorandum is in the following terms:

Referring to my memorandum of the 14th instant with regard to the proposed re-establishment of the Canadian Wheat Board, the following additional questions have now been submitted for my consideration:—

1. Is it possible from a legislative standpoint through legislation passed by the Federal Power and by the several Provinces of the Dominion to create a Canadian Wheat Board with powers identical with that created in 1919?

2. What powers must be given to such a Board from the Federal Power, and what from the Provinces?

3. What would the extent of such powers be, territorially?

As to the first question, I would answer theoretically in the affirmative.

As to the second question, I am of the opinion that Parliament may constitute a Board for the purpose of trading in wheat throughout the Dominion, and it may I think confer upon the Board such capacity as any one of the King's subjects possesses to contract, buy and sell, transport, account, and otherwise to exercise such powers as may be necessary or useful for the purpose of acquiring any wheat produced in the country which the proprietors may be willing to dispose of and upon such terms as may be agreed or otherwise legally authorized; also to market the wheat and to receive and account for the proceeds. The capacity and power with which such a Board may be endowed by Parliament are of a voluntary character and do not include the authority which the former Board possessed to impose its will compulsorily upon the proprietors either in the way of forcing sales or fixing prices.

The Board thus constituted would be subject to its transactions locally to the laws of the respective provinces in which it might operate, and the legislatures of these provinces, having exclusive authority over property and civil rights and matters of a merely local or private nature, could in my opinion, each within its own provincial limits, provide means by which the wheat produced in the provinces might be acquired by the Board, and whereby the price or compensation might be regulated in conformity with the requirements of the Board. It may be suggested for example that a provincial enactment forbidding the sale of wheat except to the Board, and providing that sales should be governed by the terms prescribed or stipulated by the Board, would be effective to enable the Board to acquire all the wheat grown in the province which would be offered for sale.

As to the third question, the territorial extent within which the Board might exercise its powers would be governed by its constitution, and they might extend to the whole Dominion, or to any two or more of the provinces.

While in my opinion it is thus constitutionally not impossible by the exercise of the respective legislative powers of the Dominion and the province, each within its own sphere, to establish a Board having the capacity and coercive powers which the Canadian Wheat Board possessed, I express no opinion as to the practicability of the project.

4. That subsequently your Committee waited upon Mr. Newcombe and submitted to him the following question:—

'To what extent may the use of terminal warehouses or elevators located in provinces, other than those passing legislation supplementing the proposed Federal legislation, be acquired by the Wheat Board that it is proposed to establish?

5. That in conference concerning this question we intimated that the "use" referred to in the first line of this question was to be interpreted as *exclusive* use. The view verbally expressed to us by the Deputy Minister was that the use of elevators owned by the Dominion could be exercised in any manner whatever by the Dominion Government: that as to privately owned elevators such could be declared works for the general advantage of Canada, and when so declared would fall under Federal jurisdiction.

In conclusion, the Deputy Minister expressed the view that by legislation passed partly by the Dominion and partly by the provinces it was legally possible to control:

(a) The acquisition of all wheat raised in any provinces passing such legislation;

(b) The storing of the wheat so acquired in country elevators;

(c) The storing of such wheat in terminal elevators even though those elevators be situated in provinces other than those passing laws for the compulsory acquisition of wheat;

(d) All export and import trade in wheat and wheat products.

The whole respectfully submitted.

(Sgd.) R. M. JOHNSON.

" S. F. TOLMIE.

" A. R. McMASTER.

Mr. JOHNSON (Moosejaw): I move that the report of the Sub-Committee be received.

Hon. Mr. TOLMIE: I second the motion. (Carried.)

(Discussion followed.)

Mr. EVANS: I move that the Clerk of the Committee be instructed to wire Mr. Riddell that the Committee would like to hear him on Tuesday next.

Mr. SALES: Might we go on with the correspondence in the meantime?

The CHAIRMAN: Yes. Some of the correspondence which I have received is quite lengthy. Is it the desire of the Committee that it should be read or that it should be accepted and printed in the minutes of to-day's proceedings?

Mr. McMASTER: I suggest that the correspondence be printed in the minutes of the proceedings, thus affording every member of the Committee an opportunity of reading it.

The CHAIRMAN: Is it the wish of the Committee that these letters be taken as read and printed in the minutes of to-day's proceedings?

Agreed to.

(The following correspondence was taken as read in accordance with suggestion of Mr. McMaster.)

"WORDSWORTH, SASK., March 18, 1922.

"Chairman of the Agricultural Committee of the House of Commons, Ottawa.

"DEAR SIR,—Now that the matter of the re-instatement of the Canada Wheat Board is to be considered by your Committee, I would like to submit the following for your consideration.



"First, the Committee from the Canadian Council of Agriculture which presented the case for the Board only represents a small fraction of the farmers of this province, and while probably a majority of farmers favour its re-establishment there is a strong minority that are absolutely opposed to it for the following reasons:

"(1) It deprives the farmer of the right of property in the product of his labour, and is against all our ideas of democracy. It is ultra vires the Dominion Parliament, and will no doubt be declared so when it is tested out, which it undoubtedly will be if again instituted.

"(2) Because we had no say in the appointment of the Board, and there was only one man on the Board who could reasonably be expected to have the interest of the farmer at heart above every other interest. That man was H. W. Wood. The remainder were grain merchants with the exception of Mr. Murdock, who was supposed to look after the interests of the labourer.

"(3) Because the Board was not instructed to get the best possible price on the world's market, but were told to handle the grain in what they believed to be the best interests of all classes in Canada.

"(4) Because we did not receive as much as we could have obtained on the open market as evidenced by the following facts. Wheat was \$2.45½ on the Winnipeg market on the day that trading was discontinued, and the price was set at \$2.30 to the miller. Millions of bushels were sold at this price when the market was still rising rapidly, and wheat was being sold by our farmers in Dakota at from \$2.75 to \$3.40. Again, millions of bushels were sold for seed at \$2.45 by the Board, when individual farmers were disposing of it across the border at from 75 cents to \$1 above that figure. Again, the Board allowed elevator companies two cents per bushel per month for storage, which is double what was ever paid before or since.

"(5) And, lastly, because we have never got an accounting for the wheat which the Board took from us in 1919. We have been simply handed a certain amount of money. When, where, how or for what price our wheat was sold we have no information. Neither have we any idea what the expenses were in connection with selling.

"For these reasons the thinking farmers are absolutely opposed to the appointment of a Board with the same powers as before.

"As regards what should be done, we are convinced that a system as near as possible like that which obtained in 1919 but voluntary instead of compulsory, and with a Board appointed wholly by the farmers who have no other interest to serve, could not fail of success.

"Yours truly,

(Sgd.) G. W. STOCKTON."

"Board of Trade of the City of Toronto, April 11, 1922.

"RE-ESTABLISHMENT OF THE CANADA WHEAT BOARD

"Resolved that the Council of the Board of Trade of the City of Toronto is opposed to permanent Governmental control of any branch of trade or in any commodity which involves the violation of the civil right of freedom of contract, and the interference with legitimate private enterprise. In the opinion of this Council such control is only justified, if at all, in times of war, or extreme national stress which is not in evidence at present.

"Further resolved that for the reasons hereinbefore stated this Council record its disapproval of the re-establishment of the Canada Wheat Board. The Council is convinced that, in the event of the average selling price of the season being lower than the initial allowance paid to the producers by the Wheat Board, the return to the

producers in excess of the selling price will only be made at the expense of the consumer, with a loss to be borne by the whole people of Canada.

"Adopted Council Meeting,

"The Board of Trade of the City of Toronto,

"April 11, 1922.

(Sgd.) "F. D. TOLCHARD,

"Secretary."

### THE MONTREAL BOARD OF TRADE

"Montreal, April 19, 1922.

"Wm. F. KAY, Esq.,

Chairman, Select Standing Committee on Agriculture and Colonization,

HOUSE OF COMMONS, OTTAWA, ONT.

"SIR,—I have the honour to say that the Council of this Board notes with concern the effort being made by certain interests to induce the Government to re-establish the Canadian Wheat Board, for however justifiable and necessary the constitution of such a body may have been during the war, in view of the abnormal conditions then prevailing, such interference with the ordinary course of business is, in the opinion of the Council, now unwarranted and, moreover, the Council is convinced that Government control or operation either directly under one of its Departments, or indirectly through a Board or Commission, is prejudicial to the interest of the country at large, and would not in the end serve even the special interests of the agricultural community for whose supposed benefit the proposal is advanced.

"I have the honour to be, Sir,

Your obedient servant,

(Sgd.) "J. STANLEY COOK,

Secretary."

"WYNYARD, SASK., April 20, 1922.

"Chairman Agricultural Committee,

Ottawa, Ont.

"SIR,—At a public meeting of farmers and business men of Wynyard and district, held here on the 15th April, the following resolution was passed and I was instructed to forward a copy to you.

(Sgd.) "WM. THOMSON,

"Secretary.

"Resolved, That this meeting of farmers and businessmen of Wynyard and district, places itself on record as being unanimously in favour of the re-establishment of the Wheat Board, with the old personnel and with unimpaired powers, in time to handle the 1922 crop."

"WINNIPEG BOARD OF TRADE, April 25, 1922.

"Mr. FRED. KAY,

Chairman, Agricultural Committee,

House of Commons, Ont.

"Dear Sir:

"Enclosed please find a statement from the Council of the Winnipeg Board of Trade, dealing with the re-establishment of the Canadian Wheat Board, and I most respectfully request that you read this to your Committee.

"Very truly yours,

"Winnipeg Board of Trade,

"(Sgd.) W. E. MILNER,

"Managing Sec'y.

"The Council of the Winnipeg Board of Trade having carefully considered the memorandum prepared by the Council of Agriculture in regard to the re-establishment of the Canadian Wheat Board, have come to the conclusion that it is not in the best interests of Canada as a whole to support the same, for the reason that in our opinion the proposition is economically unsound. Some of the reasons which have forced us to this conclusion are as follows:—

"(a) The Council does not deem it advisable for the Government to guarantee a price to any class for its products.

"(b) The Memorandum of the Council of Agriculture states that, owing to the large shipments in the early part of the crop year, these deliveries have a depressing effect on prices and the inference is that these heavy shipments should be withheld and shipped later in the year.

"We think it inadvisable to defer shipment of grain in the months of September, October and November; we are of the opinion that, owing to advantages offered by Lake Transportation, the movement of grain should begin as soon after the harvest as possible, and continue in a large volume until the close of navigation.

"We believe that the advantages in freight rate offered by lake and rail shipment to the seaboard, will fully compensate the farmer for delivering in the months of September, October, and November, in comparison with what he would have to pay if shipped all rail in the months of December, January, February and March. It would be a suicidal policy not to take advantage of the water rate which this country enjoys to a fuller extent than any other country in the world.

"(c) The Council are satisfied that the arguments set up by the advocates for a Wheat Board,—‘That, owing to the large deliveries of wheat in the months of September, October, November and the early part of December, prices during that period are materially depressed,’ is not substantiated by facts.

"We present a comparison in range of prices for No. 1 Northern Wheat in the months of October and May, extending over a period of six years, namely, 1908 to 1914:—

	October				May		
	High	Low	Average		High	Low	Average
	c	c	c		c	c	c
1908.. . . .	100 00	96 18	98 09	1909.. . . .	128 38	120 88	114 63
1909.. . . .	99 75	94 50	97 12	1910.. . . .	100 25	86 50	93 37
1910.. . . .	100 25	91 75	96 00	1911.. . . .	96 25	93 50	94 87
1911.. . . .	102 00	97 50	99 75	1912.. . . .	104 75	102 75	103 75
1912.. . . .	94 00	88 00	91 00	1913.. . . .	95 00	91 38	93 18
1913.. . . .	82 62	78 00	80 31	1914.. . . .	96 62	90 38	93 50

"If you will look over these different years and take into consideration the carrying charges from October to May, you will observe that the farmer made money selling his wheat in the month of October, five years out of the six. We have illustrated with pre-war years, because we do not think that war years represent normal conditions.

"(d) In view of the many interests involved, the Council can hardly see how Parliament can justify the establishment of a Wheat Board. The milling industry is the greatest industry in Canada and has reached immense proportions during the past decade. There are, at the present time, over 1,200 millers in Eastern and Western Canada, who have built up a wonderful export and domestic business and whose brands are recognized in almost every country in the world.

"To upset or disarrange this industry, would, in our opinion, be extremely fatal, and in view of the fact that some of the prominent advocates for a Wheat Board are asking for only a temporary Wheat Board, having the idea of experimenting for one year, we ask: What would become of this industry during this experimental period?

"We are looking forward to making Winnipeg and Western Canada the greatest milling centre of the world. We have millions of acres of virgin soil in the three Prairie Provinces yet untouched by the plough and it is safe to predict that, within the next half century, Canada will be the greatest wheat and flour exporting country



in the world. We are of the opinion, that such a position can be attained more rapidly by an army of highly trained men who are taking an individual interest in their respective enterprises, rather than by a group of six or seven men constituting the Wheat Board.

"Other advocates for a Wheat Board tell us that by holding quantities of wheat off the market, they will be able to advance the price. This statement is without foundation. The withholding of 20,000,000 bushels of wheat from the markets of the world would not, in the opinion of experts, materially affect the price in the world's markets. It is more than likely that if 20,000,000 bushels of wheat were carried in the interior elevators from October to May, the interest and storage charges would wipe out any advance in the price.

"(e) The harvests of the World are most Providentially arranged. First we have the States of Oklahoma and Texas, harvesting in the months of May and June, and shipping their wheat via the Gulf of Mexico. Next we have Kansas, and then Eastward through the States of Illinois, Ohio and Michigan in the month of July. Then follows Ontario in the month of August and the Prairie Provinces in August and September. The British and European harvests come about the same time. Finally comes Australia, Argentine and India. So you will see that we have a harvest every month in the year and if we do not take advantage of the Markets in our turn the world's demand will undoubtedly be filled from some other quarter.

"(f) *Physical Handling of Grain.*—The facilities for handling grain in Western Canada are superior to those of any other country in the world. We have 4,000 elevators in Western Canada and several large interior Government Elevators, together with Terminals at Vancouver, and the great terminal system at Fort William and Port Arthur, in which there has been an immense amount of private capital invested. These elevators are under the supervision and control of the Board of Grain Commissioners appointed by the Government of Canada. The Commission has the right, and does, fix all elevator fees and charges. This is done after a conference with all interests affected, and has been recognized as fair and equitable for the past ten years. In fact, no business in Canada today is so highly supervised by the Government as is the Grain Trade.

"The System of grading in Canada is acknowledged, not only on this Continent, but in the United Kingdom and on the Continent of Europe, as almost perfect. A certificate bearing the signature of Chief Grain Inspector of Western Canada, is a guarantee not only to the Purchaser, but to all financial institutions, as a reliable and negotiable document.

"This grading system as well as the weighing of grain is also under the control of the Board of Grain Commissioners, and the 'Canada Grain Act' is replete with clauses and enactments protecting the Agriculturalist.

"We give this review of the physical handling of grain to show that years of study and experience has produced what is acknowledged to be the very best system in the world, and we do not think it should be interfered with by any experimental schemes.

"(g) The Council regards the establishment of a Wheat Board as being justifiable only under very extenuating circumstances, such as war or famine, when perhaps the distribution of grain would have to be in the hands of Government or Military authorities.

"We think it highly impossible for any Board, Individual or Corporation, to successfully guess the fluctuations of the world's markets. Those who have tried have met with disastrous financial losses, not only on the North American Continent, but in Russia and the United Kingdom.

"To ask you, Mr. Wheat Board for the purposes enunciated in the memorandum sub-<sup>in</sup>esture prices this nothing more or less than asking six or seven men to guess possible and would, in all prevail in the world's markets for wheat. This is not opinion, prove a disastrous experiment.

"In submitting this memorandum the Council of the Winnipeg Board of Trade have done so only after the most careful consideration, because we recognize in the world-wide deflation which has taken place during the last two years, a great hardship has been worked on the farmers, particularly the farmers of Western Canada. We recognize that without a prosperous farming community Western Canada cannot be successful in any of its business enterprises and that we in the cities and towns engaged in various business enterprises are all interwoven and inter-related in the closest possible manner with those on the land, so that the one cannot succeed without the other, but we feel that the worst is over and that business, not only in Western Canada, but all over the world is on the mend and to establish such an artificial and experimental system as embodied in the Canadian Wheat Board, at this time, is a retrograde step which will not work for the permanent prosperity of either the farmer of this Western country or of business as a whole."

MONTREAL CORN EXCHANGE ASSOCIATION,

OFFICE BOARD OF TRADE,

MONTREAL, May 2, 1922.

"Arthur Glasier, Esq.,

"Secretary, Select Standing Committee on Agriculture and Colonization,  
"Ottawa, Ont.

"DEAR SIR,—

"With reference to my letter of 28th ult., in which I indicated that this association might desire to be afforded an opportunity of submitting evidence to your Committee in the matter of the proposed revival of the Canadian Wheat Board, I beg to say that after perusal of the evidence already presented to the Committee, notably that given by Mr. Jas. Richardson, Dr. Magill and Mr. Sanford Evans, this association is of opinion that all the salient facts have already been brought to the attention of your Committee, and that as the ground has been so fully covered by the gentlemen referred to, it would seem to be unnecessary that this association should occupy the Committee's time by making additional representations, which in the main would consist merely of a repetition of the evidence referred to."

"Without undertaking to enter more fully into the discussion, I am to say that this association considers that the establishment of a Wheat Board as proposed, besides being unconstitutional, would be a wholly unwarranted restriction of the right of individuals to trade and barter. The experience of Government ownership and operation on this continent, not to mention the rest of the world, has not been such as to warrant its extension to businesses now conducted by private enterprise. Moreover, this association is convinced that should the Wheat Board be revived it will dislocate the entire grain trade and milling industry, without benefitting those in whose interests it is presumably advocated."

"I am, Dear Sir,

"Yours truly,

(Sgd.) "J. STANLEY COOK,

"Secretary."

(Translation)

April 12, 1922.

To the Chairman;

Agricultural Committee,

Ottawa, Ont.

DEAR SIR,—

The discussion which is taking place at present before your Committee and the winding up of which will soon come in the House of Commons, draws the attention of the country as a whole, but more especially that of the western provinces, which are the most interested.



You have already heard the heads of the organizations known under the name of Grain Growers or Agricultural Council. You will soon have before you the representatives of the Grain Companies, of the banks, of the millers, etc. It is to be deplored that the non-organized farmers, who represent 75 per cent of the western rural population, seem to be ignored.

For my part, living in the West since 20 years, sowing every year approximately 1,200 acres of grain, meeting daily my neighbours, farmers like myself, often talking with them when they are not under the influence of some easy chatterers in search of popularity, knowing their sentiments, I think I have the right, as anybody else, to be heard and to give my opinion upon a subject in which I am directly interested, as long as the discussion is held in connection with one thing that is mine: my wheat.

I am a declared antagonist of the "Wheat Board" as I am against all measures of coercion, which tend to encroach on individual liberty and right of property. I am in favour of a Wheat Pool, which should bring the same results as the Wheat Board and which would have the immense advantage of not coming into conflict with any principle of liberty whatever. It is said that all the farmers of the West ask for the re-establishment of the Wheat Board. This is untrue. It is a fact that at the last general convention of the Grain Growers of Saskatchewan, they have voted unanimously—one vote being against—a motion asking for the re-establishment of the Wheat Board; but one must take into account the circumambient air of a hall which had been overheated during two days by high-pitched declamation and eloquence. More recently, in going over the papers of Regina, I noticed that after much contradictory discussion, one local of the Grain Growers voted upon the same motion but with a majority of two votes only. And at last, I may say that if the Grain Growers are the only organized farmers, they do not represent all the farmers, as their membership in Saskatchewan is not over 20,000 at present out of a population of 700,000 inhabitants, the greatst part of whom is rural.

In December 1921, an independent district convention held at Meyronne approved unanimously of a Wheat Pool, and the daily papers were filled with letters of farmers which are far from being all in favour of the Wheat Board.

The *Patriote* of Prince Albert, had in its last edition a very strong attack against the Wheat Board and its former chairman, Mr. Stewart, and said attack was signed by a wealthy farmer of the southern part of the province. This unanimity of opinion that is now invoked is far from corresponding to the truth, and taking for granted it is the truth, the argument is not sufficient, as the mass of people are inclined to be guided much more by their instinct than by the voice of reason, and the first duty of the law maker is to resist those movements of opinion, when they tend to bring dangerous departures.

The Wheat Board is the first step towards State Socialism, that is to say towards doctrines which are the true negation of the principle of order and liberty which characterizes our present society. This reproach has been addressed to the Wheat Board by the leader of the Progressive Party, Mr. Crerar himself, in a speech which he delivered in 1920 before the Federal Parliament, a speech of which I have a summary before me. I hope that the honourable leader has not changed his mind since 1920. It is in vain that Mr. Wood, of Alberta, who has not always been a great champion of the Wheat Board, states that it is not more coercive than the present system. His arguments fall in face of examination. At present, we feel that we can dispose of our property in the way we like; it is ours, it belongs to us. We send it to Fort William or to Vancouver, as we please; we sell it to whom we like, when we like, where we like. Among the hundreds of firms of the Grain Exchange, we choose that which pleases us best; if it is our wish to sell outside the Grain Exchange, we are at liberty to do so; and more especially the oats or barley may be exported profitably towards Ontario or Quebec. Nothing prevents me from coming to an understanding with my neighbours and from dealing directly with the exporters, if I want to. If



the prices do not suit me, I can wait; I have the right to do so. This means absolute, entire liberty, a liberty to which man is attached as much as to his own life, and upon which it is most dangerous to lay the hand.

With the Wheat Board, I have no other means than to put into the hands of a commission imposed upon me the grain which is my property. I have not the choice, a trust has been created, they have suppressed my liberty, I am no more a free and intelligent man. They want me to be a man without a will, or, more correctly, a man who bends his will under the mechanism of State autocracy. This grain upon which I have toiled, which is my property, upon which I rely to bring up my family, disappears into the hands of people over whom I have no control, who will do what they please with it, and who, in selling it, are liable, just as myself, to make mistakes for which I could not hold them responsible.

Furthermore, if I may judge by the past Wheat Board, I would know only one year after, at what price my grain has been sold, and I would have to remain uncertain during all that time, asking myself: Am I rich? Am I poor? What have they done with my wheat? As a Canadian farmer and citizen, I wish to protest most emphatically against such an abuse. My grain is my property and I deny the right of any Government to deprive me of that possession. The Wheat Pool being free will avoid these abuses. I shall form part of it because my liberty is respected. Upon the staff of the Wheat Board the farmer has no control; the Government alone makes the appointments, I might say, how long will it take before that staff has become but a collection of friends of the Government? Who will have us believe that with our present political system, these appointments will always be made on merit? Of course, we are told that the Wheat Board will only be temporary, but some of those temporary measures last a very, very long time, and we fear greatly that this one will become definite. At all events, we farmers will have no means of abolishing it. This measure will stand in the hands of the Government which will represent not only the Western provinces, but also the rest of Canada. It may be that for a long time we will have had enough of the Wheat Board, but the Government will still persist in keeping it full fledged. The creation of a Wheat Board means that we are caught for an indefinite time; with the adoption of a Wheat Pool, we are at liberty to withdraw should the results be bad; we can maintain it and make it a permanent organization if the results prove satisfactory. Why talk so much of grain and so little of cattle? Breeders who, we must admit, are fewer in number, have experienced as many difficulties as the grain growers. The price of cattle has gone down even more in proportion than that of wheat. The altogether too large importations that encumber the market during autumn, cause the prices to drop, as is also the case with grains. These prices rise again in spring, when the breeders have nothing more to sell. Breeding, much more than culture, tends to disappear. Why give a Wheat Board to some people and nothing to others? Are the latter not all equal before the country? Are they not citizens on the same footing? Are you going to refuse the fruit growers of British Columbia and the farmers of Ontario and Quebec, with their butter and their cheese, the privilege that you intend granting the farmers of the West? If it is a good thing, they are entitled to it in the same way as we are and you must grant it to them; if it is a bad thing, we do not need it more than they need it themselves. With the Wheat Board, if it is not the intention of making a special class out of the western farmers, it will be necessary to transform the Government into a vast commercial agency, as badly kept as can be the public services of a Government. The Wheat Pool, being only a large co-operative society, helped and encouraged by the State, might be successfully extended to the country as a whole. Will the Wheat Board be at least profitable to the farmers who grow wheat? I might say that I am doubtful.

It is well to remember that the farmers requested before anybody else the abolition of the Wheat Board, as then they realized the losses they had sustained. They do not remember it to-day, at least most of them have no recollection of the fact. But

it is none the less true that during the year of existence of the Wheat Board, the American farmers got for their wheat a far bigger price than was paid for Canadian wheat. Statistics are proof of this. To controvert them would be a hard task. American wheat is of lower grade than ours; the American exchange, then, proved a serious drawback to the European buyer, that is, the American wheat ought to have been cheaper than ours, and instead, taking the average for the whole year, that wheat was sold at a far higher price than Canadian wheat. This result goes against our former Wheat Board and bears no guarantee in favour of the one called for. Should I mention the scandal concerning the certificates of participation, which, through neglect of the Board in issuing certain necessary information, fell in the hands of speculators who purchased same at a very low price. It was then said that certificate affair was the most shameless speculation of the past years. Farmers lost millions through it. This is no recommendation for a fresh experience. Besides, who is going to be the head of that Wheat Board? From all sides the name of J. Stewart, the former chairman, is mentioned, and it seems that the Wheat Board is only called for inasmuch as Mr. J. Stewart will preside over that body. Now, of how many grain and elevator companies is Mr. J. Stewart president and director? I do not know, and on the Winnipeg market, in the professional world, he is called the "Wheat King," a title which places him on an equal footing with Armour, of Chicago, the prince of speculators. How can that man care at the same time for the interests of the Western farmers, entrusted to him, and for his own interests? It is said the interests of the grain companies and the speculators are in direct opposition to those of the farmers, and according to the public rumor, it is precisely to one of those speculators or the most prominent of them that it is proposed to entrust the interests of the farmers. How is he going to defend at the same time his own interests and those entrusted to him, without either of those interests having to suffer? As for me, I view as supremely dangerous the fact of entrusting the whole harvest of a country, a harvest equivalent to 25 per cent of the exportations of the world, to a speculator or speculators who can use it as a means of influencing the neighbouring markets and building fortunes to the detriment of the Canadian farmers. People calling for the Wheat Board say wheat fell in price as soon as that body ceased to exist. True it is, but the price of the same wheat dropped at the same time in all countries where no wheat board had ever been in existence. The wheat market is a world-wide one and the Wheat Board could not have prevented the slump of the past years. In view of appreciating the results achieved by that body, we must refer back to prices obtaining in other countries during the same year, and not during the following years. Such a comparison positively condemns the Wheat Board.

It cost millions to the Canadian farmers; the experience was costly enough and it is not expedient to renew it. No board can foresee what future prices will be, for market prices are ruled by conditions nobody is apt to control. In November and December last, prices dropped under imports in Winnipeg, but also under prospect of a plentiful harvest in Argentine and Australia. Those crops did not fulfil the expectation. Who could know in advance? In February, prices advanced, because the crops of winter wheat in United States were in an alarming state. Later, the rain preserved the harvest from danger and prices fell down. What commission, what Wheat Board could have foreseen such an eventuality? Prices are now from 10 to 15 cents lower than they were a month ago, through improvement of the United States crops and the shippings from Argentine and Australia. Could a Wheat Board sell our grain under those conditions? Should they dispose of it and the prices advance, they would be charged with surrendering our interests. Should they refrain from selling and there be a drop in prices, they still would be accused. That is a very delicate situation. A farmer may keep his wheat and dispose of it whenever he chooses. Should he make a mistake, he will take the consequences thereof as being the only responsible party. The Wheat Board may be subject to similar blunders but the country as a whole, all the farmers at least, will suffer by the mistake which is perpetrated. Wheat is a



universal product which Canada alone cannot control and the control of which is not to be desired. The Wheat Board would not get a higher price; it would be subject to the same mistakes, and whatever those mistakes may be, we will have to take the consequences while maintaining the Board as long as the members from all over Canada choose. With the Wheat Pool, should the blunders become unbearable, we can withdraw of our own free will and the Wheat Pool will then drop out of existence. We remain our own masters; with the Wheat Board, we abdicate our independence. The Wheat Board might prove extremely dangerous, because it puts into a few hands enormous powers. Nothing prevents its most influential members from having important contracts passed with firms in which they may be directly interested. Who will dare affirm that such a thing might not happen? Nothing prevents the chairman or those amongst them who control the sales to withdraw from the market, during a certain time, all our harvest and to throw it afterwards, in enormous quantities, on this same market in order to influence the stocks in Chicago, Minneapolis or Liverpool and thus make through themselves or their associates enormous fortunes out of the product of our labour.

The witnesses that you have heard on behalf of the Grain Growers have told about the profits made by the small speculators, the farmers, labourers, workmen, and dealers. Those people are not to be feared; they are not to be feared, who manipulate a market upon which they lose more often than they gain. Those who manipulate the market and cause fluctuations sometimes incomprehensible are the big speculators and it is to them, through the Wheat Board, that our crops are being entrusted.

Such members of the Wheat Board as are not speculators will become such through the very strength of continuous temptation. They will become such by themselves or through people who will find that they have an interest in their own speculations. The small speculator will be replaced by the large one, with the difference that the latter will speculate, not with his own money, but with our crops which he will have in hand. For my part I refuse to run such a risk.

The Wheat Board, whether it is wanted or not, will require a minimum price. I do not object to such minimum price. The principle is based on protection, and we are entitled to it as much as the mechanics and the manufacturers. In order to protect industries as well as the manufacturers and the mechanics, the consumers, who are mostly farmers, are compelled to pay considerable customs duties on everything they buy. Why should not we, who pay to protect others, be entitled to protection as well as the other Canadian citizens, especially as we are going through periods of crisis? That is perhaps the only right and beneficial point of the Wheat Board, but we have also that same right point in the Wheat Pool, with the difference that in the latter method it is suggested to us and not imposed upon us. What will that minimum price be? If you put it too high, it is possible that at the end of the year the Government may be obliged to make up for the Wheat Board's deficit. Should you make it too low, you will hear the legitimate outcries of the farmers. The latter need money; they are indebted everywhere, they are overwhelmed by interest; in the fall they need all the money that can be derived from their crops to meet their responsibilities. They cannot afford to wait one year to receive the full payment for their grain as they are so much in need of money. If the minimum price guaranteed to farmers is not at least \$1.25 upon the basis of No. 1 at Fort William, the entire West will be disappointed. It can be said that those who require the Wheat Board do so inasmuch as they will be given the guarantee of a solid minimum price. If you offer but 75 cents to No. 1 elevators and \$1 in Winnipeg, they will be disappointed; they will all turn against the Wheat Board, which nevertheless will have to be supported as it is compulsory. As regards the Wheat Pool, we are perfectly at liberty to join it inasmuch as the minimum price paid over to the farmers will appear satisfactory to us.

The Wheat Pool therefore tenders all the advantages of the Wheat Board and none of its disadvantages, and I am surprised that the head officers of the Grain Growers, with whom I am generally in sympathy, do not accept the proposition. It is



stated that to obtain a satisfactory result the greater part of the Canadian crop must be controlled by one and the same Board, whilst with the Wheat Pool the majority of farmers will still sell through the medium of the Grain Exchange. Of the two alternatives, either the farmers want the Wheat Board or they do not want it. If they agree to it, they will also form part of the Wheat Pool willingly, as they will derive the same advantages from it. If they do not wish to have it, why should it be imposed upon them? And it verily seems that the Grain Growers are of opinion that the majority of farmers are not in favour of it since they admit that to obtain good results the proposition submitted must be compulsory. The farmers will not willingly agree to be a party to it; that is the verdict itself against the Wheat Board. As regards equalizing prices among the farmers, this is but imaginary. . . . Should the selling price even be equalized, there will always be a difference in the freight—between Manitoba and Alberta, for instance—and the farmers from Alberta will make less profit with the same selling price because they have to pay more for conveyance. There will also always be a difference in the quality as well as a difference in the output, whatsoever may be the toil displayed by each farmer, and it is not through the Wheat Board that you can arrive at equalizing absolutely the whole agricultural class.

Summarily, the Wheat Board proposition has been spread among a certain portion of the agricultural class by a few agitators in quest of popularity, and the idea has been received as are received all propositions embodying socialistic and equalizing tendencies when they are held out to a population who have suffered for many years and who are ready to accept relief of any kind without taking its efficiency into account. The Wheat Board proposition is closely connected, among the people, to that of a minimum remunerating and satisfactory price.

Any price lower than \$1.25 per bushel at Fort William will be most disappointing, and the grain producers will protest against the Wheat Board being imposed upon them with a far more commanding rally than that witnessed at the present time.

The principle of the Wheat Board is unsound and may become extremely dangerous. Individual liberty cannot be trodden upon with impunity, and the right of property and any arbitrary measure becomes speedily unpopular and creates discomfort detrimental to the prosperity of the country. The powers of the Wheat Board are enormous, they escape the control of the farmers, whose products they seek to acquire, and, under pretence of avoiding speculation, the Board is offered, for greater facility, the manipulating of the entire Canadian crop. The latter point has not been thoroughly considered, and if the farmers understood all the peril thereof they would unanimously protest against the Wheat Board proposition.

The Wheat Pool advantageously supersedes the Wheat Board, and avoids all the dangers of the latter. If bad results are obtained, it can be set aside free of will without having to wait for legislative action. And if, for its success, the co-operation of the majority of the farmers is needed and not obtained it will be evident that the latter have no trust in a Board of any kind and prefer to sell their wheat themselves. The Wheat Board would consequently not respond to the requirements of the farmers.

For myself, and on behalf of my friends, as a farmer of the West and as a Canadian citizen, we therefore request a trial for the Wheat Pool and we positively condemn the Wheat Board.

In concluding I may state that an investigation on the inspection of grain and its methods and on the overages at terminals would seem of a greater advantage and of a closer interest for ourselves, farmers from the West, than any other proceeding. I have often weighed my wheat before shipping; I could never obtain the same weight at the central elevators, and every time we have to calculate upon 1 per cent at least of invisible dockage which we lose on our shipping. As regards the inspection of grain, abuses and errors are committed which require a complete change in the methods followed as at the present time.

Requesting you to kindly read the above letter in Committee as expressing the opinion of a group of unorganized farmers and thanking you in advance, I beg to remain, Mr. Chairman,

Yours very truly,

(Signed) RAYMOND DENIS,  
*President of the Farmers' Co-operative of Vonda.*

# DISCUSSION FOLLOWS

Moved by Mr. Good, seconded by Mr. Johnson (Moosejaw):

That Messrs. Warner, Stansell and McKay be appointed a sub-committee to collect, examine and classify the various petitions and resolutions that have been received by the members of the House, and make a report thereon to the Clerk of the Committee.

Agreed to.

Hon. Mr. STEVENS: Mr. Chairman, I desire to call the attention of the Committee to an error which appears on page 170 of the report. It will be recalled that argument was made regarding overhead charges. I will read a few lines in order to enable the Committee to recognize the absurdity of the figures as reported. I will commence reading at the third line from the foot of page 170:—

"...We will say wheat is 50 cents for the sake of argument. You spread 50 cents over \$5.00 you have 10 per cent. You spread it over \$10.00 you have 60 per cent."

My statement was: "You spread it over 85 cents," which was the figure I had previously mentioned. That "\$10.00" should read "85 cents."

The CHAIRMAN: That error was corrected in my copy of the proceedings.

Hon. Mr. STEVENS: I mentioned the error to the Clerk of the Committee the day after it appeared. I now request, with the consent of the Committee, that the "\$10.00" appearing in the second line from the foot of page 170, be changed to read "85 cents."

The CHAIRMAN: That is in case the evidence is reprinted?

Hon. Mr. STEVENS: Yes.

The Committee adjourned at 12.15 o'clock p.m. until Tuesday, May 9, 1922.





SELECT STANDING COMMITTEE

ON

# AGRICULTURE AND COLONIZATION

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Minutes of Proceedings and Evidence

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No. 13—TUESDAY, MAY 9th, 1922

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Mr. F. W. Riddell, General Manager Saskatchewan Co-operative Elevator  
Co., Ltd.



SEP 20 1943

# MINUTES OF PROCEEDINGS

TUESDAY, May 9th, 1922.

The Committee met at eleven o'clock, a.m., Mr. Kay, the Chairman, presiding. Present:—Messieurs Baldwin, Bowen, Brethen, Campbell, Carruthers, Charters, Denis (*St. Denis*), Dickie, Duncan, Evans, Fafard, Fontaine, Forke, Forrester, Fournier, Good, Halbert, Hunt, Jelliff, Johnson (*Moosejaw*), Knox, Lafortune, Leader, Léger, Lovett, Lovie, Lucas, MacKelvie, MacLean (*Prince*), McConica, McCrea, McKay, McMaster, McMurray, Malcolm, Millar, Milne, Morin, Morrison, Motherwell, Ouimet, Pritchard, Rankin, Raymond, Robinson, Sales, Sexsmith, Sinclair (*Queens, P.E.I.*), Spence, Stansell, Stevens, Stewart (*Humboldt*), Thompson, Thurston, Tolmie, Warner, White, Wilson and Woodsworth—58.

On motion of Mr. Warner, the Report of the sub-committee to collect, examine and classify the Resolutions sent to members of the Committee, was received and ordered to be incorporated in the minutes of evidence of to-day.

Mr. F. W. Riddell, General Manager of the Saskatchewan Co-operative Elevator Co., Ltd., who was in attendance, was called, sworn and gave evidence.

Committee adjourned at one o'clock, p.m., to resume at four o'clock, p.m., this day.

Committee resumed at four o'clock, p.m.

Examination of Mr. Riddell was concluded and witness discharged from further attendance.

Mr. Johnson (*Moosejaw*) gave notice that, at the next meeting of this Committee, he would move the following Resolution, seconded by Mr. Pritchard:—

Resolved that,—

1. It is desirable in the National interests that the Government immediately create a national wheat marketing agency similar to the Canada Wheat Board of 1919, for the marketing of the wheat crop of 1922, and that

2. This agency be given all the powers of the Wheat Board of 1919 as are within the jurisdiction of Parliament to grant, and that

3. An Act be passed, based on this Resolution, to become effective by Proclamation as soon as two or more of the Provinces have conferred upon this agency such powers possessed by the Wheat Board of 1919 as come within Provincial jurisdiction.

Committee adjourned at six o'clock, p.m., to meet on Thursday, May eleventh, at eleven o'clock, a.m.

Included is Exhibit No. 5—"Advertisement which appeared in *Toronto Saturday Night* on March 25th, 1922."

ARTHUR GLASIER,  
Clerk to Committee.



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

COMMITTEE ROOM 424,

TUESDAY, May 9, 1922.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock, a.m., Mr. W. F. Kay, the Chairman, presiding.

The CHAIRMAN: The meeting will please come to order. Gentlemen, we have this morning the pleasure of the presence of Mr. F. W. Riddell. I think Mr. Riddell is probably well known to all of you. I would ask Mr. Riddell to give us the benefit of his knowledge in the matter before the Committee.

Mr. STANSELL: Mr. Chairman, just before taking further evidence, I might say that the Committee appointed to collect resolutions have a report ready, and it would seem to me that if that report were submitted following right after the resolutions that were last printed, it would give the Committee's mind relief, and possibly be the proper place to put it in, before you take further evidence.

The CHAIRMAN: What is the pleasure of the Committee?

Mr. McMASTER: I think, Mr. Chairman, it is only right that these resolutions which probably indicate a different attitude of mind to the others, should be placed in juxtaposition to those afterwards.

The CHAIRMAN: Is it the pleasure of the Committee that the sub-Committee make their report now?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: Mr. Warner, you are the Chairman of the sub-Committee.

Mr. WARNER: I was asked to act as Chairman. You want me to read the report?

The CHAIRMAN: Yes. Is it lengthy?

Mr. WARNER: Not very long, no. Mr. Chairman, we tried to condense the report as much as we could. We have reported for the three different provinces in as small a space as it was possible to do. The first report is from the resolutions received from Alberta.

## REPORT OF SUB-COMMITTEE

"Your sub-committee, composed of Messrs. Warner, Stansell and McKay, appointed to collect, examine and classify the various Resolutions received by Members of the House, respectfully begs leave to report as follows:—

1. *Province of Alberta:*

(a) That the United Farmers of Alberta in annual session assembled at Calgary, on January , 1922, passed the following Resolution:—

'That the new Federal Government be urged to re-instate the Canada Wheat Board under the old management with James Stewart as Chairman, this Board to handle the wheat crop of 1922 and to continue to handle the crop until such time as world conditions again becomes normal.

(Sgd.) H. W. HIGGINBOTHAM,

*Secretary.*'"

That convention was composed of the delegates from different locals throughout the province. There were about 1,500 delegates there, if my memory serves me right.

"(B) That 218 Local Organizations in the Province of Alberta have passed the following standard Resolution, signed by their respective secretaries."

We did not submit the names of the secretaries at all, because we thought that could be taken from our statement.

"WHEREAS the serious financial condition of the European importing countries (where the bulk of Canadian wheat is consumed) and the disorganized state of world markets having caused the price of wheat in Canada to fall below the cost of production bringing about great hardship and considerable suffering in the Prairie Provinces, and has also demoralized business all over Canada.

THEREFORE be it resolved that this Local of the United Farmers of Alberta goes on record as strongly in favour of the re-establishment of the Canada Wheat Board to market the 1922 crop and until such time as world conditions are again normal believing that the Canada Wheat Board will stabilize the markets and sell the wheat crop with greater advantage to the producer and thus help western agriculture as well as improve business conditions generally. And we urge the Member of Parliament for our constituency to use his best efforts to have the necessary legislation enacted at the ensuing session of Parliament so that the Wheat Board may be re-established in time to handle the 1922 crop.

(c) That 1,304 circular letters have been received from individual farmers in Alberta, who may or may not be members of the above Local Organizations, all of whom concur in the said standard Resolution."

As to the Province of Saskatchewan, at the annual meeting, I am not certain as to how many delegates were there, but it is supposed to represent the whole of the organized farmers in Saskatchewan.

*"2. Province of Saskatchewan:*

(a) The Saskatchewan Grain Growers' Association in convention. In February, 1922, passed the following Resolution:

'RESOLVED that this Convention is in favour of the re-establishment of the Canada Wheat Board for the handling of the 1922 crop and until such time as world conditions again become normal:

AND FURTHER to invite the former Chairman and Vice-Chairman of the Canada Wheat Board to resume the active management thereof.

(Sgd.) J. B. MUSSELMAN,

*Secretary.'*

The annual meeting of the Saskatchewan Co-operative Elevator Co. passed the following resolution, July, 1921:—(This resolution was passed for three successive years).

Mr. J. B. Musselman, General Secretary of the Saskatchewan Grain Growers' Association, moved that 'This meeting is in favour of the reinstatement of the Canadian Wheat Board under the old management.' This was carried with only two dissentients.

That 169 Local Organizations in the Province of Saskatchewan have passed the following standard Resolution, signed by their respective secretaries:

'WHEREAS the serious financial condition of the European importing countries (where the bulk of Canadian wheat is consumed) and the disorganized state of world markets having caused the price of wheat in Canada to fall below the cost of production bringing about great hardship and considerable suffering in the Prairie Provinces, and has also demoralized business all over Canada.

THEREFORE BE IT RESOLVED that this Local of the United Farmers of Saskatchewan goes on record as strongly in favour of the re-establishment of the Canada Wheat Board to market the 1922 crop and until such time as world conditions are again normal, believing that the Canada Wheat Board will stabilize the markets and sell the wheat crop with greater advantage to the producer and thus help western agriculture as well as improve business conditions generally. And we urge the Member of Parliament for our constituency to use his best efforts to have the necessary legislation enacted at the ensuing session of Parliament so that the Wheat Board may be re-established in time to handle the 1922 crop.'

That 1,435 circular letters have been received from individual farmers in Saskatchewan, who may or may not be members of the above Local Organizations, all of whom concur in the said standard Resolution.

Also that the "Saskatchewan Union of Rural Municipalities and the North East Local Association of Rural Municipalities have passed the following:

'RESOLVED that this Convention go on record as favouring the establishment of a National Wheat Board.'

There is a resolution from the Municipalities Organization that is similar to Mr. Musselman's resolution. That would be covering the whole problems. That is, three Provincial Organizations, not necessarily all farmers, that have concurred in these provincial resolutions. For the Province of Manitoba we find the following:—

*"3. Province of Manitoba:*

(a) The United Farmers of Manitoba, in convention, in January, 1922, passed the following resolution:—

'WHEREAS there is general dissatisfaction with the present system of marketing our grain; and whereas the deplorable condition of our agricultural industry is such that it demands the attention of the Federal Government to the need for national marketing of wheat and other grains.

THEREFORE BE IT RESOLVED that we urge upon the Dominion Government the necessity of re-establishing the Canada Wheat Board under the former management with the wide powers to sell wheat and other grains.

(Sgd.) W. R. Wood,  
*Secretary."*

None of the other provinces asked for the handling of other grains, and the Committee thought it would be better to put the resolution in just as it is, although they are not pressing for anything except the handling of wheat.

"(b) That 52 Local Organizations in the Province of Manitoba have passed the following standard Resolution signed by their respective secretaries:—

'WHEREAS the serious financial condition of the European importing countries (where the bulk of Canadian wheat is consumed) and the disorganized state of world markets having caused the price of wheat in Canada to fall below the cost of production, bringing about great hardship and considerable suffering



in the Prairie Provinces, and has also demoralized business all over Canada.

THEREFORE BE IT RESOLVED that this Local of the United Farmers of Manitoba goes on record as strongly in favour of the re-establishment of the Canada Wheat Board to market the 1922 crop and until such time as world conditions are again normal, believing that the Canada Wheat Board will stabilize the markets and sell the wheat crop with greater advantage to the producer and thus help western agriculture as well as improve business conditions generally. And we urge the Member of Parliament for our constituency to use his best efforts to have the necessary legislation enacted at the ensuing session of Parliament so that the Wheat Board may be re-established in time to handle the 1922 crop.

(c) That 413 circular letters have been received from individual farmers in Manitoba, who may or may not be members of the above local organizations, all of whom concur in the said standard resolution."

The above report respectfully submitted.

(Sgd.) D. W. WARNER,  
" J. L. STANSELL,  
" M. MCKAY.

I suppose it would be proper, Mr, Chairman, for me to move the adoption of the report.

The CHAIRMAN: The report will be printed. I think you might move the adoption of the report.

Hon. Mr. STEVENS: Mr. Chairman, I understand the object of the ruling was simply that this might appear on the record. Is that not accomplished now?

Mr. WARNER: We would want the privilege of putting that in if it was not in.

The CHAIRMAN: It was decided at the last meeting that it would appear in the report.

Mr. WARNER: Then I do not think it is necessary to move the adoption.

F. W. RIDDELL, called, sworn and examined.

*By the Chairman:*

Q. Would you tell the Committee, Mr. Riddell, what is your business?—A. First of all I wish to say that I was the Vice-Chairman of the Canadian Wheat Board of 1919, and both before that and since I have occupied the position of General Manager of the Saskatchewan Co-operative Elevator Company. I am here to-day in response to a communication from the Secretary of your Committee, and I wish to offer an apology for not presenting myself last week, as was originally arranged. Unfortunately, I was confined to my house through sickness. The case of the farmers has already been presented to your Committee, and consequently I have no statement to make in connection with that. Our own organization has been represented here through the Canadian Council of Agriculture. My understanding of my visit here is that you might wish to get some information from me which I may be able to give regarding the operations of the Wheat Board. I shall be very pleased to answer any questions you care to put to me to the best of my ability.

*By the Hon. Mr. Motherwell:*

Q. Mr. Chairman, taking my cue from Mr. Riddell, as I was one of those who made the suggestion that he should appear here this morning, it has been suggested since that I should start the questionnaire. I think possibly I might, as well as not, because I was the one who made the suggestion that he should come. Some of us possibly have all the evidence we desire, but inasmuch as Mr. Riddell

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is one of the two men who are responsible for the administration of the Wheat Board, it seems to me that the evidence would not be complete without his say on a number of matters with which we have not dealt to any great extent. There is one question I would ask, and lest my purpose might be misconstrued, I will say that it is simply for the purpose of allaying some fears. You will recall that two years previous to the establishment of the Wheat Board, fixed prices had been arranged for by the Government, which was thought to be quite satisfactory and is believed yet to be quite satisfactory, although the purposes of both of them, I think, was to keep wheat down, and we accepted that. Then when the Wheat Board was introduced there was a general feeling that the primary purpose was to stabilize—not to put up the price of wheat, but rather, if the same tendency prevailed, to keep it down; and I have a word to say against that. However, lest some might think that this was one of the primary purposes of the Wheat Board, lest that might be thought by some to be the primary purpose of the suggested Wheat Board, to keep prices down, I would like Mr. Riddell to let us know if that was one of the purposes of the Wheat Board, to steady wheat and keep it from flying here and flying there, and possibly keep it from going to such an absurd extreme that it might not be to the benefit of the producer in the last analysis to get some fabulous prices, or what was the primary purpose of the Wheat Board? If that question is embarrassing, Mr. Riddell, I will not press it, but it seems to me that it has been suggested here and suggested there with a sort of insinuation that there was something wrong. There was nothing wrong about the suggestion as to the Wheat Board, even if its purpose was to keep prices from going too high. That was the purpose of the fixing of the prices two years previous, and we accepted that.

MR. STANSELL: Was not the principle to prevent speculations at a time of scarcity rather than to keep prices down?

HON. MR. MOTHERWELL: Yes, or whatever it was.

WITNESS: My connection with the Wheat Board was in the capacity of carrying out a specific duty outlined in an instruction given to us by the Government, and anything I may say in regard to the point raised by the Hon. Mr. Motherwell would be only an opinion as to what the purpose of the creation of the Wheat Board was. I know many people out in the West thought the Wheat Board was created for the purpose of preventing prices going up, and the evidence given in support of that statement was that the market was open for a period of about six days, during which time the prices advanced to about \$2.47, I believe, and then for some reason was closed, and the Wheat Board created. I can only confine my reply to the facts of the case. I could not say what was in the mind of the Government at the time they created the Wheat Board. I can, however, state that there was considerable feeling out in the West amongst the farmers that the reason the Wheat Board was created was to prevent the market going higher. Does that answer your question?

HON. MR. MOTHERWELL: Yes, I think so.

HON. MR. STEVENS: Mr. Chairman, I would like to ask two or three questions consecutively, if I have your permission to do so.

THE CHAIRMAN: Yes.

*By Hon. Mr. Stevens:*

Q. First, from your experience on the former Wheat Board do you consider that in order for such an institution to be effective and successful it should have all the compulsory features of the previous Board?—A. In order for it to be completely successful I would say yes. To put it in another way, if you wish me to do so: The further you depart from the system which was in vogue before, the less effective your Board may be. That is, the further you depart from the compulsory features, the less opportunity you have to be completely successful. I think that is perfectly

[Mr. F. W. Riddell.]



obvious, if you give it a little consideration. In the one case you have complete control over the whole of the commodity. In the other case, if you have not the compulsory features, you have not complete control, and to that extent you have competition, and an undetermined proportion of the crop coming to you, which is a vastly different proposition from controlling the whole of the commodity.

Q. My second question is: In the event of the inauguration of what is known as a voluntary Wheat Board or voluntary Wheat Pool, do you consider that said voluntary pool would make any considerable contribution towards the solution of the present problems regarding the marketing of wheat?—A. I would answer that question in this way, that that would depend very largely, if not entirely, upon the support which any voluntary pool might get. The greater the support the greater the relief, and the less the support the less general good might be done; but it is impossible to say whether any relief would be granted; the amount of relief would depend very largely, if not entirely, upon the amount of support given.

Q. My third question is: The former Board did and the proposed compulsory Board would control the export of flour?—A. Yes. I would regard that as an absolute essential. If you have a Board whose duty it is to export the surplus of wheat produced in this country to foreign countries, it is impossible to conceive of a situation where the exportation of flour would be in the hands of private individuals or firms such as the millers, because you would be setting up a form of competition unless the millers were prepared to accept daily fluctuating prices for their own wheat supplies, based on export values. You see what is involved in that? Under the old Wheat Board, supplies of wheat were delivered to the millers at certain prices which ruled for fairly long periods, and the Wheat Board controlled the selling price of flour, which was based upon whatever price they may have been paying for wheat. During a period of time in which there was a uniform price for wheat to the millers, the prevailing price for Canadian wheat in importing countries moved, and in a general way moved upwards; so that if you could conceive a condition where wheat could be given to the millers at a stated price for a long period during which the foreign market was increasing, you would have the millers shipping flour to those foreign markets and killing the market and rendering it impossible for the Wheat Board to sell at the proper values. Consequently, wherever your control of wheat values is, there must be your control of export flour values unless you could meet the condition by making daily prices to the millers for their supplies of wheat.

Q. My last question is: What steps would such a Board take to preserve the market for flour built up over a period of years, and also to supply the incentive for the purchase of Canadian flour, resulting as it does now from the personal efforts of the miller? In other words, what steps or machinery could the Board put into operation to take the place of the machinery now in operation by the private exporters of flour?—A. That is a matter that would require some consideration, but I do not think it is an unsurmountable difficulty. For instance, there might be no objection to the millers keeping up their trade relations as now, so long as they were not permitted to export flour excepting at prices which would be regulated by the Board. In other words, they could occupy the position of agents of the Board in the export business. Speaking offhand, I see no objection to that. One of our large mills having certain trade relations with European importers of flour could still maintain those relations by getting the business on terms, so far as price is concerned, regulated by the Board so as not to interfere with wheat values in the same markets. Do you see the point?

Q. Yes. Assuming that the miller in Canada has bought at a given figure, say one dollar for the sake of illustration?—A. Yes.

Q. We must assume that at some period a corresponding price plus transportation charges, and so on, is obtaining in the consuming market, say Europe?—A. Pardon me.

[Mr. F. W. Riddell.]



You are now stating the case under an arrangement whereby there would be daily fluctuations in prices of wheat to the millers?

Q. Yes, and there would be an equivalent price in the consuming market?—A. Yes.

Q. Now, the millers in Europe would purchase in that market a stock of wheat for milling purposes?—A. Yes.

Q. Then there is an increase in the price of wheat in the European market?—A. Yes.

Q. The Board, if it were in operation, would prevent the miller from exporting flour except at a figure commensurate with the now increased price of wheat in Europe?—A. Yes.

Q. But the miller in Europe, having bought the wheat at a lower figure, would absolutely shut out our flour which was exported under the higher figure?—A. I think you would find, if you look at the reverse side of the case you have stated, that the millers would require protection in the one case. As a matter of fact, I do not think the millers would accept an arrangement such as you have outlined, because of that danger of which you are speaking.

Q. They would have to accept it if the compulsory Board were adopted?—A. No. I have looked over some of the evidence which has been given before this Committee, and I think a wrong impression has been created in the minds of the Committee in connection with the relationship between the Wheat Board and the millers. The millers appear to have attempted in a general way to show that the Wheat Board has been very hard and arbitrary towards them, and that they have taken the short end of the deal all the time. I want to make this general statement before referring to two or three specific cases, that all the regulations of the Wheat Board which affected the millers were the result of consultations with the millers. Any particular matter was thoroughly discussed with the accredited representatives of the millers and a fair basis agreeable to them and to the Wheat Board was arrived at, and an arrangement by way of regulation, public or otherwise, was drafted after consultation. In a general way the impression that is being left upon the minds of the members of this Committee is that we got the safer end of the business all the time. That is not so. The millers were protected against loss all the way through in everything that was done. They are only enabled to convey the impression of which I have spoken with an appearance of truthfulness, simply because the general trend of prices went upwards. If world values had gone down slightly, the millers would have been in an entirely different position with a drop in price on any stocks they were holding. Our arrangement was that we took all responsibility for fluctuations in values, and if world values had been down we would have had to absorb the loss involved. I challenge any miller to disprove the truth of that statement. I feel very strongly about it, because of some things that have been stated here. The millers assumed absolutely no risk in regard to the fluctuation in values of any commodity we were handling, either up or down. For instance, the statement was made that the Wheat Board inflicted a surcharge upon the millers. That surcharge would, under entirely reversed conditions, be the equivalent of a rebate; it was either a surcharge or rebate.

*By Mr. McMaster:*

Q. A rebate on what?—A. Let me deal with the surcharge first. Wheat is handed to a miller at a certain stipulated price.

Q. Under the Wheat Board?—A. Under the old Wheat Board, yes. Wheat is handed to a miller at a certain stipulated price and the agreed upon value of flour is also controlled by the Wheat Board. Next week or some time afterwards world values for wheat are higher than the price set to the miller. We do not advance the price of wheat to the miller for the reason that we can get flour from them on the basis of the price they have already taken. They have no relationship to export value at the moment. They will deliver to us flour on exactly the basis that we

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deliver wheat to them. It is not sold to them, in the strictest sense of the word; it is handed to them for milling purposes to be handed back to us. Two weeks hence, or at some later period, the world's values for wheat and flour are advanced, and the miller wishes to export. I may make this explanation in connection with this, that insofar as Newfoundland and the West Indies are concerned—and later, I think, West Africa—the mills were doing their own exporting under regulations, so far as price is concerned, by the Board. Very good. They wish to close an export deal for flour between these countries. Their complaint has been that they were not permitted to do that without paying a surcharge. The surcharge is merely the difference between the value of flour under the Board's price, which is based on the value of wheat charged to them, and the actual value of wheat or flour at the time they ship.

*By Mr. McMaster:*

Q. In other words, their complaint is that they did not get the advantage in the increase of flour prices which was brought about by the increase of wheat prices?—A. Exactly.

Q. They were not allowed to get that advantage for themselves?—A. Yes. Now, if that is satisfactory to you, I want to deal with the other side. Let us assume that conditions have been such that the world value of wheat in these countries was down. The mills would have delivered the flour to us at the high price which was set by the Board, on the basis of the price they paid for wheat, in exactly the same way, and we would have had to export wheat on the basis of the world values.

Q. That is to say, if there had been a loss that loss would have been absorbed by the Board?—A. Absolutely.

Q. And therefore the Board considered it right and just that when there was a profit that also should be taken by the Board?—A. Yes sir, although in the strictest sense of the word, I object to the word "profit." There is no question of loss or profit. There may be in so far as the mill is concerned, but so far as the Board is concerned, strictly speaking, wheat was loaned to the mills on a certain basis and flour was taken on an equivalent basis, and the price was controlled on that basis. That is the point I want this Committee to clearly understand. There was no outright sale of grain for milling purposes to the mills for the export of flour. I am speaking entirely from memory, but I think it is stated in the price regulations that wheat will be delivered to mills on a certain basis—not sold. I am only speaking from memory, but that is a matter of record that can be looked up.

*By Mr. McConica:*

Q. The arrangement then was an arrangement by which, practically, the millers ground certain wheat for you for so much money, took your wheat and gave you back the proceeds?—A. Yes sir.

*By Mr. Evans:*

Q. Mr. Riddell, there is a definite statement here from Mr. Thompson, at page 136 of the Minutes. I put the question to him myself. "It is not quite clear to me yet in what way the witness arrives at the fact that they milled this wheat for nothing," and Mr. Thompson answered, "the Board said 'We will give you the wheat at a certain price—\$2.30—and we will give you so much for your flour, X'—whatever it was. But when we ground that out we found that the price they had given for the flour just equalled the price we had paid them for the wheat, the bran and shorts included." So that cannot be true.—A. In connection with—

An Hon. MEMBER: That was in regard to a certain specific order given to small mills.

The WITNESS: Yes. In connection with the first portion of Mr. Thompson's reply, it seems to me to bear out what I have been saying previously. Wheat was given to them at a certain price and flour taken from them at a certain price.

[Mr. F. W. Riddell.]



Those prices were determined after consultation with the mills. I personally spent more time in connection with this milling question, the question of milling costs, than probably anything else that we did. Is it fair to assume, as Mr. Thompson states in his evidence, that the mills did not get fair treatment, when we have on the Board two of the ablest millers in this country, Mr. Black and Mr. Matheson, and also Mr. Watts, who was representing a very large number of mills in Ontario? Is it to be assumed that they did not get fair treatment? If you will give me a little time, I will try to explain to you how we arrived at these costs. I am speaking from memory again. I think in connection with that I might say that it is very important, so far as this Committee is concerned, that you get accurate figures, and if I am not in a position to give accurate figures I will at least be able to tell you where you can get them, and I think you should get them. My recollection of the milling cost allowance to the Canadian mills is that the average agreed upon was about 85 cents per barrel plus 25 cents of profit. Now, I am not going to make this positive statement, but this information can be ascertained from the records of the Wheat Board, and I wish any one who challenges it—if it is challenged—would do that. That would be the difference between the value of wheat, the necessary quantity of wheat to make a barrel of flour, plus \$1.10—85 cents representing the agreed-upon manufacturing cost, and 25 cents per barrel representing their profit. Now, gentlemen, you will easily see, we have mills running from 50 barrels up to I don't know how many thousand barrels capacity per day. We had a uniform price agreed upon which was supposed to be fair. If, as Mr. Thompson states, he grinds wheat into flour for nothing, all I can say is that he should not be in the business, and he could not possibly be in the business under competitive conditions, because mills did grind wheat and make money under those conditions. Further, I just want to call attention to this, that somewhere in Mr. Thompson's evidence, he stated—I am subject to correction here, but if he did not some other representative of the millers stated—that they made a reasonable amount of profit under the Wheat Board. They could not do that if they were milling wheat for nothing. Now, when we were obtaining evidence as to the manufacturing cost of mills, per barrel manufacturing cost, we had statements submitted to us ranging—once again I am speaking from memory—all the way from 65 cents per barrel to over \$4 per barrel.

*By Mr. McMaster:*

Q. Say that again.—A. I say that when we were ascertaining information as to the milling costs per barrel, milling costs from mills, we had statements submitted to us ranging—I am speaking from memory—all the way from 65 cents per barrel to over \$4 per barrel. I am prepared to admit that the outrageously high figure would be an isolated case, and probably some small mill, but the fact is there nevertheless. The information submitted to us was of such a wide range that it was impossible to do anything with it—absolutely impossible. I think, perhaps, I had better drop that; I could keep talking about that for half-an-hour.

Q. What mill did you take as the average mill which would have to have a profit under this price fixing?—A. I would say this, Mr. McMaster, that my recollection—first of all, let me make this statement: We had in our employ Mr. Kelley, George Kelley I believe, a man of twenty years' practical milling experience—

Q. If you will pardon me interrupting you, will you try to answer my question direct, and then go on and modify it as you like?—A. Now, Mr. McMaster, I hope you will pardon me—

Q. It seems to me that we would get "forrader" so much quicker if you would just do that. I say, what mill did you take? Was it a large mill or a small mill? Was it a moderate-sized mill? Was it a mill with modern machinery or inadequate machinery? What mill did you take?—A. We took neither the large one nor the small one. We took the moderate-sized mill, such as may be found in Ontario,

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duplicated over and over again, on the advice of Mr. Kelley, who has had twenty years' milling experience.

Q. That would be a mill which would be fairly well adapted to the purpose for which mills are intended?—A. That is what we thought, yes, sir.

Q. That would mean that the mill not quite so well equipped, or considerably less well equipped, would not be able to make a profit, and it would mean that the mill that was very well equipped would make a very handsome profit; is that not so?—A. Not necessarily so, sir, for the reason that some of the small mills—so I am informed; I have not access to the figures—made money under the prices which were granted to them.

Q. Would I be correct in my idea that the larger mill with the more up-to-date machinery and labour-saving devices would be able to manufacture much cheaper than the less well-equipped mill?—A. That might be the case. I would rather think it would be the case, possibly because the more up-to-date machinery enabling them probably to make a greater extraction.

Q. Now, don't we hit there the great difficulty that anybody will find in trying to fix prices?—A. Yes, Mr. McMaster, they meet these conditions under competitive conditions any way.

Q. I have no doubt they have to meet them.—A. You have identically the same conditions. As a practical proposition, I submit that it would be impossible to give each mill its own price, manufacturing flour, or you would never get anywhere.

*By Mr. Knox:*

Q. I wanted to ask Mr. Riddell if through his connection with the Board he would be able to tell us whether the mills made a comparative profit during the years they were controlled by the Board, with their business at other times. Have you any such information as that, Mr. Riddell?—A. Well, there has been some—if you will pardon me a moment, gentlemen, I want to file here, with your permission, some information regarding the profits of mills, a matter which I would not have probably felt inclined to deal with in this manner had the mills not appeared here, leaving the impression that they were very badly treated. I have here an advertisement cut from the *Toronto Saturday Night*, extracted from the Annual Financial Review of 1921. I would refer to that for confirmation of the figures. This is an advertisement of the Bankers' Bond Company, advertising milling debentures, and offering them as an attractive sale. They quote the dividends that were paid by mills over a period of four years, I think. I would like to file that. That is the 1921 edition of the Annual Financial Review, which is the source of the authority for these figures.

(Exhibit 5. Filed advertisement from *Toronto Saturday Night*. See appendix.)

I submit, Mr. Chairman and gentlemen, that if those figures are accurate the mills were not very badly treated by the Wheat Board or the Board of Supervisors of Food Control.

The CHAIRMAN: Is it the wish of the Committee that Mr. Riddell be allowed to put this in?

Mr. McMASTER: I think it is only fair, Mr. Chairman.

Hon. Mr. STEVENS: I think, Mr. Chairman, on that point we ought to recognize that Mr. Watts, if I recollect correctly, and Mr. Cornell, and one or two other millers, stated that they had no complaint as to the treatment by the Wheat Board in the handling of the business. They did complain about certain specific effects. I think perhaps Mr. Riddell has a wrong impression, and I would not like it to pass without some word of justification, because I remember very clearly that it was stated on two or three occasions that they had no complaint of the manner in which the Wheat Board management treated them.

[Mr. F. W. Riddell.]

THE WITNESS: I would prefer as far as possible to keep my remarks to the answering of questions, but in connection with this another point occurs to me. I can speak of the conditions in the West because I am more familiar with them, but serious complaint has been made by I think General Labelle, and I think supported by figures furnished later by Mr. Cornell of the loss in export business during the life of the Wheat Board, by comparison with their previous exportations of flour. Prior to the war period the smaller mills out West were closed and had been closed for many years. I do not know whether or not that was the condition in the East. During the war period when we had control of wheat prices and when the Wheat Export Company was purchasing food supplies for the allied countries, many of these small mills were permitted to open up, and for this reason: The exportation of flour very considerably increased, and flour export orders were divided amongst the mills proportionally to their milling capacity, regardless of whether they had ever exported flour previously in the whole of their existence or not. The result was that I know of cases where mills which had been closed for very many years were taken over by certain people who were wise enough to see what was likely to happen, and were operated for the period of control only, and were closed again immediately, and never manufactured, to my knowledge, a single bag of flour for domestic consumption. Now, if you will compare the exportation of flour under the Wheat Board with the exportation of flour under conditions of that kind, of course there is going to be a very considerable reduction in the amount of flour exported during the period of the Wheat Board. In addition to what I have said, the conditions were that during the life of the Wheat Board when the war was over, I was over, I might say in connection with what I am about to say, in Great Britain in the spring of 1920, and if I was correctly informed, the mills in Great Britain had been taken over by the Government under an undertaking whereby the Government paid the owners of the mills a rate of interest on the capital invested, simply because their business as millers was not there. They had been buying flour instead of buying wheat. Conditions were changed, however, during the life of the Wheat Board. The Government, in effect, said, "We must pay for these mills anyway, whether they are working or whether they are not working. We have guaranteed an interest rate on the capital that is invested. We are going to buy wheat and grind it ourselves. Why should we buy flour?" That is the condition that the Wheat Board was facing in so far as the Government of Great Britain was concerned during the life of the Wheat Board. Another statement which occurs to me is that the Wheat Board concentrated on selling wheat instead of flour. I absolutely repudiate that statement, no matter who makes that statement. We did all that we possibly could to make the sale of flour with wheat, and to make it conditional on wheat sales that flour should be taken. I will state that most emphatically.

*By Mr. McMaster:*

Q. That is, to your foreign buyers?—A. Yes. Moreover, the previous condition which I have recited was the reason we did not sell more flour. You cannot make a buyer who is a free and independent buyer take flour if he wants wheat, and particularly so when he is paying for the cost of a flour mill in any case, which was the position of the British Government.

*By Mr. Millar:*

Q. It has been contended, Mr. Riddell, by some witnesses that the drop in the price of wheat to the producer—what you might call, I think, the annual drop—about the time most of the wheat was going on the market—has been only just sufficient to take care of the carrying charges. That is one statement. On the other hand, the producer claims that, selling on a market that has been more or less glutted, he has been losing money. Those witnesses that gave that evidence claim that their state-

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ments and their charts disprove the other. Does it necessarily do so?—A. I think the argument advanced in connection with that, as I understand it, would be not strictly sound. I think it must be admitted that if you put a large volume of any commodity on the market all at once, it will affect the price. I think that probably is all that it is necessary to say in connection with that. Let us just admit for the moment—I am not admitting this except for the moment—that the argument is correct and that the only question in price is the carrying charges; what evidence is there that the fall price would not have been larger if the larger volume had not been there? What evidence is there that the discrepancy would not have been greater? We can only guess at these things; we may guess right, or we may guess wrong. However, there is another point that occurs to me. In dealing with the figures in the fall and the figures four, five or six months afterwards, certain adjustments have been made covering the question of carrying charges, I think at the rate of a cent a bushel a month, and by that process it is shown—

Mr. McMASTER: A cent and a half, I think.

The WITNESS: Yes, pardon me. I should have said carrying charges including interest and storage, made up of a half cent of interest and a cent of storage. That is included there. By that process it has been demonstrated that there is no advantage in hauling. The whole argument is based on the assumption that the farmer pays out these carrying charges to somebody else. Insofar as the interest calculation is concerned, I will admit that he is out his interest if he waits a longer period, but I do not necessarily admit that he pays storage on his grain, because he can keep it on his farm and earn the storage himself.

Q. We had a long talk about this yesterday, Mr. Riddell?—A. Yes, sir.

Q. And I could not get it through my head that you should not charge something against the grain representing the interest on the capital cost of the bins on the farm in which the wheat is stored.—A. Yes, sir. I am perfectly familiar with your point, Mr. McMaster.

Q. Then will you answer that?—A. Yes sir. My reply to that is this, that the question of capital invested, the cost of the farmers' own bins, is involved in both of them, consequently it is not a question of difference at all. If he uses them himself he is under the cost; if he does not use them himself, and uses the elevator for the storage, he is still under the cost. I submit that if that is in both of them it does not influence the question at all.

Q. But let us suppose that one year a farmer has no bin on his farm, and he goes and stores his wheat in the elevator; he will have to pay a cent and a half per bushel per month, won't he?—A. Yes sir.

Q. Now, the next year he spends let us say one or two thousand dollars for bins?—A. Yes sir.

Q. And he stores his wheat in his own bin; should he not charge against the wheat so stored to offset the charges in the elevator, at least interest on a thousand dollars plus a sinking fund to take care of the depreciation of the bin? It seems to me he should.—A. Yes, but, Mr. McMaster, will you permit me to go one year further? Having done that, you come along to the third year, and he has the choice of using his own bins or using the elevator bins. My contention is that it costs him just as much insofar as that capital investment is concerned whether he uses the elevator bins or whether he uses his own bins; he must pay for his own bins. There is the point.

The Hon. Mr. MOTHERWELL: Mr. Chairman, I might say that the average farmer has to have bins anyway, unless he lives quite close to the elevator. Might I ask another question which I have in mind, which is suggested by Mr. Stevens' question?

*By the Hon. Mr. Motherwell:*

Q. Mr. Stevens asked you if there would be any considerable advantage in the operation of a voluntary Wheat Board, and your answer, I understood, was to the

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effect that it depended upon the extent to which it was patronized.—A. Yes sir.

Q. Now, there is no other appreciable difference between a voluntary Board and a compulsory Board than the extent to which they are patronized, and the success of any kind of Board depends upon the volume of business that goes through?—A. Yes sir.

Q. The larger the volume the smaller per bushel expenditure?—A. Would you just permit me a moment? My understanding of your meaning of a compulsory Board at the moment is, compulsory on the farmer insofar as the elevator is concerned. We are speaking of no other compulsory features except that.

Q. Compelling all the business to go through that particular channel?—A. Yes sir.

Q. Then with regard to a voluntary Board, there is no doubt about its constitutionality, nor is there any doubt about its having a non-monopolistic tendency. The Board is not monopolistic and it is not unconstitutional to raise the question of either Board, if the rulings of the law officers of the Crown are correct and sustained by judgments of the Court. Would the success of the voluntary system not be exactly in the hands of the men who will patronize it or not patronize it? In other words, won't it be in the hands of those who are asking for a Wheat Board? If they patronize it say fifty per cent they will get an appreciable value; if they patronize it to seventy-five per cent of the total grain they will get more value. Therefore it lies exactly with themselves, those for whom the Board is being asked. The extent to which it is patronized determines the value of that Board. If it is not patronized except to, say, ten per cent of the wheat, the expense of handling it will be so enormous that the man who patronizes it will be worse off than if he sent his grain through the ordinary channels. Isn't that the idea?—A. I would answer that in this way: The effectiveness of the whole thing would depend very largely if not entirely upon the extent of its patronage.

Q. You will perhaps recall in Regina—I do not know to what extent your attention has been drawn to it, because I know you are a busy man—that there was a voluntary Butter Board. We did not call it a Butter Board, but there was a voluntary control of not only the selling but the manufacture of Saskatchewan butter to the extent to about 60 per cent to 70 per cent for about ten years, and during that time that percentage of the butter gravitated toward the voluntary Board. We called it a Co-operative Creamers, but we could if you like call it a Butter Board, and under the actual test the people making butter in Saskatchewan voluntarily contributed about two-thirds of the entire production of Saskatchewan through that channel. Now, while that is not the same, while it is not exactly a parallel case with wheat, and we have no right to assume that the same volume would go through a Wheat Board, what I want to point out is this, that it was entirely dependent upon the people themselves, the dairymen of Saskatchewan, whether they patronized it or not, and if only 10 per cent had patronized it the thing would have been a complete failure, but with the larger volume going through it, with the large dairy industry that is now being handled largely by the farmers themselves, handed over to the farmers themselves as a co-operative concern—A. Might I ask a question in connection with that which might have some bearing? Have you any idea to what extent the butter manufactured in Saskatchewan is consumed domestically, locally?

Q. Well, a lot of it was shipped out.—A. It might have some bearing on the success or otherwise.

Q. It just depends on the local demand. In the early days the dairy butter was used a lot locally. Later a large percentage became creamery butter. However, what I wish to ask you is this: you know a great many people decried the voluntary Wheat Board, and as compared with the compulsory it is non-effective—there is no question about that. The greater the volume and the more closely you get to the 100 per cent handled through one channel, the more control you have. In other words, the greater volume of business any concern handles, the more it is a controlling factor on that

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particular market—there is no question about that. But I say that a compulsory system has been considered as unconstitutional, but there is another system of compulsory wheat selling that we might consider. If it is thought that that is the only possibility, there is no virtue or no relief to be found in the voluntary system, as some think. Then let us consider what we call the Australian system, or the report submitted by the sub-committee the last day we met. Have you read that?—A. No sir.

Q. Well, the sub-committee consulted with the law officers of the Crown, and they decided that by concurrent action of the Dominion Government and the Provincial Governments a system of compulsory marketing might be established there that would be constitutional.—A. I have seen the press report only on that.

Q. That would involve three Provincial Governments—there being three vitally concerned—and one Federal Government. That means four Governments working along parallel lines, as it were, to one common object. Now, the question I would like to ask is, what do you think is the likelihood of that being practicable? I believe that will get what some people want, a compulsory Wheat Board. The other has been considered for the time being unconstitutional. Now, here is the constitutional means of effecting the same end. It has been tried out in Australia in the early days of the war. It has been abandoned there for a voluntary Board since then, and I think the voluntary Board is still in force. The law officers of the Crown in consultation with your sub-committee have indicated that that might be invoked here, and that the compulsory features might be carried out—those parts declared unconstitutional for the Federal Government to do would be quite proper for the Provincial Government. What do you think about it?—A. Well, insofar as either the Federal or the Provincial or both combined are able to pass along the powers which the Board previously held, speaking from a practical point of view, there is not any reason why the Board should not operate successfully that I know of. My point is this, that it does not matter very much—as far as I can see; I am not a lawyer—so far as the Board is concerned, where the power comes from, so long as it has it.

Q. Do you think a Board of that nature should handle options?—A. If under a compulsory scheme—and by “compulsory” I mean compulsory so far as the farmers’ deliveries are concerned—we would not have any option market at all; there would no markets to operate in, but I would say that there would actually be no necessity for it.

Q. But with the voluntary Board, you think it would be almost necessary to handle options then?—A. Yes; I think you would have to, on occasion, do the same as the people outside of the voluntary Board.

Q. Just another question before I sit down. If it was a voluntary Board, options would be indispensable?—A. Yes.

Q. Now, the old Wheat Board sold the wheat at a time when their judgment told them they would get the best results. In other words, we poured our wheat into the Wheat Board, got our advance payments, and they sold it at their discretion. Now, no private concern does that on the market.—A. I would not say that, sir.

Q. Am I right in that?—A. I would not say that no private concern is buying and selling grain at their own discretion; I would not say that.

Q. The usual way of consigning grain, in my experience—A. Let me make this distinction. If you are speaking of a private firm handling grain for a farmer, then I would say that they must carry out the farmers’ instructions. That is a different proposition. But if you say that a private firm does not buy and sell grain at its own discretion, I would not say that.

Q. I did not mean that. I think we are all looking for some system that is a little better than the present, but any system that is established as a result of this enquiry, is it intended that farmers will still consign their grain with instructions to sell immediately, or on arrival, or on inspection, or on further advice, or is it the intention to transfer to the judgment of this Board the right to sell when they think they can sell to the best advantage? Which would be the better way?—A. I

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think the scheme that is contemplated, the farmer shipping his grain to-day, and retaining the right to sell when he thinks fit to sell, would be almost ineffective.

Q. That is to say, the judgment should be in the hands of the Board?—A. Absolutely, sir.

*By Mr. Millar:*

Q. The matter of the voluntary wheat pool has come up so often that I believe I ought to throw some light on the dark spot by asking this question. Under a voluntary pool would it not work out like this, that a man who has a threshing machine of his own, who lives close to an elevator, a man who year after year is able to take advantage of the early market, which is nearly always much better than the later market, would almost always stay out of the wheat pool? He would know that he could get better than the average price. The result is that the man who is now at a disadvantage is the man who would join the wheat pool. The wheat pool would have control of, say, 50 per cent of the grain, and the remaining 50 per cent would belong to the man who usually gets the early market, and if the pool should hold back what they control so as not to glut the market, they would be holding it back so that the other man would have the good market. Is that not the way it would work out?—A. It might very easily work out that way. I think there will be a very great difference of opinion, however, amongst the men who were close to the market. There would be the men who might figure the way you say, and there would also be the men who would figure, "Now, that may be a better price than somebody else gets." That is to say, "There is available to me in the open market a better price than somebody else may get, but I am not sure that price could not be influenced by marketing through the agency," your pool agency. That is, influenced upwards, or steadied. I think there would be a difference of opinion on that question.

*By Mr. Johnson (Moosejaw):*

Q. Mr. Riddell, right on that point, assuming that there was a voluntary pool, knowing conditions as you do, and as we from the West do, and the farmers' obligations, would there not be pressure brought on the farmer by his creditors to compel him to sell to the agency, whereby he would get the total value of his wheat when he delivered it?—A. Well, of course, I would not pretend to know what would be in the minds of our financial institutions, but if past experience is anything to go by I would think there would be a great possibility of that, that is, of attempting to liquidate their loans and to get their debts paid as fully and as quickly as possible.

*By Mr. Morin:*

Q. Mr. Riddell, in reply to the first question by Mr. Stevens, you stated that the great advantage of the compulsory Wheat Board would be the control of wheat. I infer from that that the Wheat Board would be in a position to completely control the price of wheat in Canada, that there would thus be a great advantage to the farmers, but that most probably the consumer would have to pay for it. Now, would the compulsory Board have also the power to control the price of wheat in the foreign market in competition with the other wheat-selling countries?—A. Well, your remark consists of a statement and a question as I understand it. I do not know that I altogether agree with your statement.

Q. Control of wheat—what does it mean?—A. You said that the Wheat Board could have control of the domestic market and make the consumer pay any price it liked. I say that is not so. I do not admit your statement to start with, and you have asked a question that is based on a statement that I do not admit, for the reason that the legislation under which the Wheat Board acted stated that the price must be based as nearly as possible on the export values. It was lower than the export values, very much lower than the export values, for a long period of time, so you see I cannot admit your statement.

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Q. Would you answer the last part of the question? What effects would this Wheat Board have on the fixing of the foreign price?—A. It would depend, sir, very largely if not entirely upon circumstances. When I say “circumstances” I mean by that, world conditions, the necessities of the importing countries at various times in the year, and you would have to assume that the people marketing the grain had at least ordinary intelligence, and also that they were well informed as to the situation. That would depend very largely upon those circumstances. It would be impossible for me to give you any idea of what the Wheat Board might do, because in the first place I could not tell you what the crops are going to be like, what the markets are going to be like, whether the people in Great Britain want our wheat or whether they do not, whether Russia is coming into the market—there are a thousand and one things that enter into that which you would have to meet as they came up from day to day. The point is this: one single agency properly informed and exercising the average amount of intelligence, I think, would have a better chance than several hundreds of thousands of farmers trying to do the same thing.

*By Mr. McMaster:*

Q. Mr. Riddell, as I understand it, there is a certain amount of chance in the wheat business?—A. Yes, sir; there is a chance in everything.

Q. But the chance is pretty well developed in the wheat business. Now, as I understand it, the Wheat Board operated on a rising market—you will correct me if my statement of facts is not correct?—A. In a general way that is correct.

Q. You were able to make handsome profits for the Canadian producer?—A. Yes, sir.

Q. For the wheat crop of 1919; and as a consequence the names of Stewart and Riddell are blessed throughout Canada?—A. We hope so.

Q. Now, let me put this proposition to you, Mr. Riddell, and let us have an answer: suppose the appreciation of Mr. Stewart and yourself as to the probable trend of markets had been wrong, or suppose under a reconstitution of this Board your prognostications of the trend of the market had been wrong, and instead of realizing the expectations of the western grain growers you severely disappointed them; now, where would the names of Stewart and Riddell be then?—A. I would say this, that if we guessed wrongly and they got to know about it, we might have been eternally damned—I don't know.

An hon. MEMBER: Just called a politician.

Mr. WHITE: Mr. Chairman, in considering the voluntary proposition and the compulsory proposition a great deal has been said about the uncertainty as to the amount of grain that would be delivered under the voluntary Board. I do not know whether that has been brought out or not. I was wondering just how far that should go. Is the voluntary pool supposed to be a condition of affairs where the farmer as soon as he threshes his grain decides where he is going to sell, with the Wheat Board or some other place, or is there going to be an agreement signed by certain farmers, possibly when the grain is planted, to deliver the product of a certain number of acres to the Wheat Board? In that case the Wheat Board would then know about how much they would receive, and that uncertainty would be to some extent eliminated. I would like to get some information on that.

The WITNESS: Do I understand, sir, that that question would be addressed through the Chairman to me?

Mr. WHITE: Do as you like about the answer. Answer it yourself, or refer it to the Chairman.

The CHAIRMAN: I think it would be addressed to Mr. Riddell.

The WITNESS: It seems to me that it is a question that really should not be directed to me at all, because you are asking now as to what the Government might

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do in regard to the details of the voluntary scheme, and I am afraid I will have to refer you to them.

Mr. McMASTER: I was talking to some members of the Committee about this, and the reply is that it would be almost impossible to get the farmers to sign up. Well, it seems to me that that would be a guide as to whether the demand for the Wheat Board is really sincere or not. If the rank and file of the people want the Wheat Board they would be quite willing to sign up three months ahead of harvest time, I think.

The WITNESS: I would like to make a suggestion there, because I have given some little thought to the point mentioned—

The Hon. Mr. MOTHERWELL: Mr. Chairman, replying to what has just been said—

Mr. McMASTER: Mr. Riddell was just going to answer, Mr. Motherwell.

The Hon. Mr. MOTHERWELL: I beg your pardon.

The WITNESS: I think you will find this—this is my own opinion—in connection with signing up of the contract: You will find very many farmers whose financial condition is such that they cannot enter into a contract like that, because of the pressure brought to bear on them by their creditors. They would say, "No, you cannot enter into an arrangement whereby you get an advance on your commodity and perhaps keep me waiting a year." He would not be a free agent at all as far as that is concerned. On the other hand, I believe that our financial institutions and our wholesalers under an arrangement such as the Wheat Board had previously regarded their accounts as being reasonably safe. That is to say, they did not have to contend with the fluctuating values. They knew every man was going to get the same price as everybody else, and there was a certain amount of stability to the credit arrangements. That is the impression I have gathered from the business men.

*By Mr. White:*

Q. Is it not true that the percentage of value advanced to the farmer when he delivered his grain would be the same in the case of the foreign pool as the compulsory pool?—A. Well, I would not like to say that, sir. I would not like to say that those in charge of a voluntary pool would dare go as far with an advance as they would with a complete system such as we had before. I would not like to say that.

Q. Of course, in the event of the farmers signing agreements they would be reasonably sure of a certain amount of wheat to deal with?—A. Well, is that so? Is that correct? A man signing an agreement—let me point this out to you, sir—any man entering into an agreement to deliver grain to a voluntary pool three or four months before his crop comes off can only make his agreement on the basis of his acreage, not on the basis of the volume. So far as your selling agents are concerned, they do not give a hoot about the acreage; they want to know the volume. You are entering into a contract to deliver the product of so many acres. That conveys no general information three months ahead of the harvest to any sensible selling agent.

*By Mr. Sales:*

Q. It may be five bushels or it may be fifty?—A. Yes, sir.

*By Mr. McMaster:*

Q. Wouldn't the compulsory Wheat Board be faced with the same situation?—A. The compulsory Wheat Board would know exactly that it was going to get the whole of the crop in this country—that is the difference—the other one would not know anything.

Mr. WHITE: My suggestion was not that the farmer would agree to deliver so many bushels, but that he should agree to deliver the product of so many acres.

The WITNESS: I did not know whether you had that in your mind or not, and that is why I explained that was all that could be done. The point in connection [Mr. F. W. Riddell.]

with it is that that is not very much information to the party who is selling it. He is not selling the acres, he is selling the bushels.

*By Mr. McMaster:*

Q. It would strike me that if a voluntary Wheat Board got contracts for, let us say, 95 per cent of the acreage of Saskatchewan in wheat, they would know that they were going to control pretty nearly the whole crop of Saskatchewan, would they not?—A. If you had a voluntary Wheat Board, with 95 per cent signed up, then I would say that you would be getting very close, so far as selling is concerned, to a complete compulsory system in so far as selling is concerned.

Q. May I ask you one or two questions just arising out of that? Do you or do you not consider it necessary in order to have the beneficial effect that you claim for the proposed measure, do you or do you not require to control flour?—A. In regard to the first portion of your question, Mr. McMaster, I do not know that I have made any claims about the beneficial effects of this system by comparison with what they are doing now.

Q. Well, I will ask you that question directly? Do you consider it would be wise to have this proposed compulsory Wheat Board?—A. Well, sir, I have strictly avoided answering that question. We have been discussing the Wheat Board in relation to voluntary Pools. We would open up an entirely new field if we were going to discuss the Wheat Board in relation to existing conditions. I want to make that clear.

Q. Have you any objection to answering the question? It seems to me a very pertinent one.—A. I stated at the outset, sir, that representations so far as the organization with which I am concerned have already been made to this Committee by Mr. Robinson, representing the Canadian Council of Agriculture. This morning you have heard resolutions passed three successive years by the shareholders of our company asking for the re-instatement of the Wheat Board. I occupy a position as a servant of those gentlemen who want that service.

Q. I was thinking that you were here as a citizen of Canada?—A. Yes, sir.

Q. To give us the advice that you could give us by reason of the special knowledge you had of this matter?—A. I am perfectly willing to do that. I have been trying to do that to the best of my ability all the morning.

Q. I am putting you up against this question; of course if you feel that it would be disloyal to the organization with which you are connected, to answer it, I am not going to insist.—A. Now, Mr. McMaster, that is the lawyer's way of putting it. The suggestion immediately in your remark is that I believe differently from them. I do not admit it.

Q. You neither admit it nor deny it?—A. No sir.

Mr. SALES: Mr. McMaster, that is not fair.

Mr. McMMASTER: I think it is very fair.

The CHAIRMAN: I think, Mr. Sales, you will have to let Mr. McMaster deal with Mr. Riddell.

Mr. McMMASTER: I do not want to interfere. If Mr. Riddell does not want to give his personal views on this matter that we have been discussing now for about six weeks, I do not know whether or not the Chairman has the right to put him in a tower as a witness who won't answer questions. At one time a witness who refused to answer questions before a Parliamentary Committee was committed to the Tower.

The WITNESS: I am not so sure but what I would rather be there than here just now.

Mr. McMMASTER: I will try, Mr. Chairman, in my questions to avoid any expression or to infer any expression from the witness as to the advisability or the inadvisability of the proposed Wheat Board.

[Mr. F. W. Riddell.]



*By Mr. McMaster:*

Q. But if a Wheat Board is reconstituted, would it to be effective require to have powers of controlling flour as well as wheat?—A. Yes sir.

Q. Now, flour milled from Canadian wheat would when exported to Great Britain come in competition with flour milled in the States, would it not?—A. Yes sir. That is, flour in a general way, yes, but more particularly with flour milled in the States of the same quality.

Q. Which under ordinary circumstances is manufactured partly at least of our wheat, our Northern Manitoba Wheat?—A. Yes sir. Well, that may be. I would not say that definitely, sir, I would like to correct that. That might happen.

Q. Perhaps I had better put it in this way: The flour which the Canadian Wheat Board would export, let us say, to the London market would there come into competition with flour manufactured in part of wheat of grades of qualities similar to—A. It might, yes.

Q. Similar to our Manitoba wheat?—A. Yes sir.

Q. Well, how would that fact effect the Wheat Board's operations on let us say the London market?—A. I do not really see the significance of your question, sir. We must assume that the buyer of flour on the other side will know whether the flour that he is buying is a 100 per cent Manitoba hard spring wheat flour or whether it is 20 per cent so. I may say for information that we met similar conditions to that during the life of the last Wheat Board where—I am speaking once again from memory—the actual content of flour being shipped out from the United States as hard spring wheat flour was really somewhere in the neighbourhood of 20 per cent to 25 per cent of hard spring wheat flour; but then we must assume that the buyer knows that just as well as we know it, and that he is going to base his price on the actual relative values. I think that would be a fair assumption. If it is possible for us to find it out it ought to be possible for the buyer to find it out, and we have no right to assume that he does not know his business.

Mr. KNOX: Mr. Chairman, I wish to ask Mr. Riddell a question which, while it may hear more or less on his personal opinion again, I think may be answered by him.

*By Mr. Knox:*

Q. Supposing they had a compulsory Wheat Board, would it not have a beneficial effect on the producer with regard to lake freights and ocean freights, and also insurance?—A. I would say, sir, that most probably that would be so, just simply on this principle that with charges for services, the charges not being definitely set, competition would tend to raise the prices. For instance, bidding for boat charters on the lakes might result at certain times in higher prices being obtained, whereas with one organization the possibility is that you can make an arrangement on a reasonable basis for a long period of time at the uniform rate. There may be certain obligations on both sides; for instance, in obtaining that lower rate you might have to give some assurance of fairly uniform deliveries, in order that an economical handling can be made so far as the owners of the vessels are concerned, rather than spasmodic handling, which might come under other conditions. For instance, as I recollect it, the light freight lake freight rates were uniform all through the season, or at least for a greater portion of the season, and a certain number of vessels were engaged in moving grain. They were loaded almost regularly all through the season. The vessels just plied between certain ports, and there was no delay. Our object was to keep them moving all the time, the necessary number of vessels, I think, to move at the rate of some five or six million bushels of wheat a week from Fort William.

Q. While it would not have any effect on the changing of rates on the railways, would it not be of great benefit to the railway in the equalizing of rates?—A.

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I cannot, of course, pretend to be a railway operating man, but if this Committee wishes to get some information on that from the railways, I am inclined to think that you will find that considerable saving in their business can be accomplished by the operations of a Wheat Board, handling the large volume of a commodity.

*By Mr. Sales:*

Q. Because of the more gradual marketing?—A. Well, that would be one point, but not necessarily so. When I say “not necessarily so” I mean not necessarily limited to that, for instance, deliveries of grain may come with a rush at some certain portion of the province this week, some other portion next week, and so on; that is the way this thing happens, anyway. Bear in mind that under the open conditions represented all over this area are a number of grain interests, each one naturally enough looking after its own business and wanting some service, each one buying grain as it is delivered to him and entering into contracts for future delivery, and each one pounding the railway company for cars to enable them to ship out to meet their contracts. The result of that is that you do not get a distribution of cars, necessarily, proportionate to deliveries of grain. Now, if you have no open markets with these individual contracts in existence, you can by arrangement with the railway company place your cars just exactly where the grain is. That is the only consideration, because working through one agency, you have only one set of contracts to look after, and you do not care whether your wheat comes from Southwest Manitoba or Northwest Alberta, or where it comes from. First of all, take it from the place you can get it most easily, at the same time having regard to congested points so that you can relieve it, enabling the farmers to bring it in if they wish to do so.

*By Mr. McMaster:*

Q. Are the prices paid to the producer at the country elevators prices which properly reflect the prices paid at Fort William at the time when the wheat would naturally reach there, less proper charges for carrying the grain that far? Do I make my question clear?—A. Yes, sir, I think I understand your question. Street prices paid to country elevators are based upon the values or the prices which may be obtained for future delivery at Fort William one month, two months, or three months hence, as the case may be, depending upon the ability of the buyer to deliver within those various periods. For instance, if he thinks he can buy grain in the country to-day by the load and deliver that next month in Fort William, he will base his street prices on to-day's prices of Fort William grain next month. If circumstances are such that he does not believe he can deliver within a month he moves to the two-month period, and we have a quotation to-day for grain delivered in Fort William two months hence, which is the basis of his buying price. Now, I want to make this clear in order that there may be no misunderstanding. When I speak of prices for grain in store Fort William two months hence, I am referring to the option prices, which are the only future quotations. They may or may not have a relationship to existing cash prices to-day. There may be a wide spread between them. I want to make this clear also, because I understand the millers represented by Mr. Watts had some very hard things to say about this. I think if I had been present I would have told you that the prices which resulted in those wide spreads, those wide spreads were the result of prices offered to us by the millers and the buyers for future delivery. Those are the men who set them.

Q. Well, leaving aside the wickednesses of the millers for the moment, and coming back to the question—are the prices which are paid by the country elevators for grain to the producer fair prices, taking into consideration the prices ruling for delivery at the time when the grain will reach the elevator at Fort William? Do you understand my question? I do not know whether I made it clear or not.—A. Your question has varied somewhat from the original question, which I answered in the affirmative—yes, sir. I think you will—

[Mr. F. W. Riddell.]



Q. Not intentionally; I cannot see exactly where I have varied it. Let me just ask my question so that there will be no question of variation, variableness or shadow of turning.—A. Will you let me explain what I mean?

Q. If you do not mind, I should like to ask my question. I know the question I want to ask.—A. Yes, sir.

Q. I understand that when a country elevator purchases wheat from a grain grower the purchaser has to consider the probable time it will take that wheat to reach the head of the lakes?—A. Yes, sir.

Q. And the price which he offers is based upon the price at which wheat sold on the Winnipeg Grain Exchange for delivery at the time when, under ordinary circumstances, the wheat he is buying in the country elevator would reach Fort William?—A. Yes, sir.

Q. Now, the question I ask is, is the price paid as a general thing by the country elevator to the producer a fair and reasonable price, taking these facts into consideration?—A. I would say this, sir, in regard to that, and seeing that you had your opportunity to re-state your case I want to call attention to what happened in the first place. The first question was, are the country prices based on something? I said yes. Your second is, are they fair? They are really two questions. I would say this, that for the whole of the past season—and by the way, I do not want to be in the position of blowing our own horn—we have not thought they have been just as fair as they might be. When I say “we” I mean our own organization. We have put out an official prices list running two cents, and sometimes over, better than the prices lists used by the other companies, but because of that I am perfectly satisfied that at competitive points—that is to say, where we are in or where our prices are effective or influencing the surrounding country—they have paid the same price. In other words, they have been exceeding their own official list. I think that will answer your question as to whether or not the prices are fair. The prices we have paid we regard as fair. They have been slightly higher than those offered by the general run of the trade, at points where we were not represented.

*By Mr. Sales:*

Q. Will you explain about these lists to which you have referred?—A. I do not know, Mr. Chairman, where we are getting to in connection with the Wheat Board, but the facts of the matter are that very many of the companies—I do not know just how many, but certainly in so far as the volume of business is concerned they represent a very large percentage of the balance of the elevator companies, I mean the private companies—have some form of association which furnishes each of their elevators with an official prices list, agreed upon, I believe, by some Committee amongst them; but remember, there are some companies not in that. I think perhaps some of our mills are not in them, we are not in this organization, and they may put out their list but it can be influenced by a certain amount of competition.

*By Mr. Morrison:*

Q. Mr. Riddell, are there not points where a fair price is not paid by the elevators, by some of the line companies, where they have been getting competition to contend with? Is there not too wide a spread to call it a fair price?—A. That is really a question I have previously answered. In so far as our organization is concerned we have paid higher prices than the—

Q. But there are some of the old line companies which have not paid a fair price because they were not subject to competition—a very wide spread?—A. As to that, I think the thing to do would be to—

Mr. WARNER: I would like—

Mr. McMASTER: Ask him whether last year there was the difference between his admirably managed company and the organized people.

[Mr. F. W. Riddell.]



Mr. WARNER: I will let you ask him that.

*By Mr. McMaster:*

Q. You say, Mr. Riddell, that between your company—which is the Saskatchewan—A. Co-operative Elevator Company.

Q. And the other companies in the same line of business, you were able to pay a couple of cents more per bushel for track wheat?—A. For street wheat.

Q. For street wheat, then were you competitors?—A. No, sir. Now, I say that our list is two cents over theirs, but I am perfectly satisfied that at places where they compete with us they pay two cents over their list and compete with us, or else they would not have got any business.

Q. Did that condition obtain the season before?—A. Not uniformly, no sir; in fact, it may not have existed last year. I have seen the time when for several months we have been four cents over; I have seen the time when we were one cent over. We pay our own price, and it is merely accident as to whether it is the same as theirs or whether it is higher one cent, two cents or three cents.

*By Mr. Morrison:*

Q. Did the other line companies ever pay a larger price than your company?—A. Yes, sir, but not uniformly. I do not recall that their lists have been higher than our lists.

Q. I meant, by the line?—A. I would say—mind you, when you say “did they ever do that?” that is a long time. I do not recall any such case.

Q. I mean, in recent years?—A. I do not recall any such case.

*By Mr. Warner:*

Q. This may vary just a little from the questions you have been answering just now, but there was an impression, I think, left by Dr. Magill that there was no depression of the market by putting so much grain on the market all at once. He stated, I believe, that there was some place in the world where farmers were placing their wheat on the market at all times in the year, and that that was just a notion that the farmers had, that this depression came about. Now, I would like to hear your idea as to whether the market can be depressed by the farmers in Canada putting their wheat on the market very rapidly?—A. I would answer that, sir, by saying that I think that is an economic law. I do not think that the question as to whether the price is higher or lower in the fall need be considered very much. If we have a certain standard of prices in the fall with a large volume of grain on the market, it is only a matter of conjecture what would happen if we had a smaller volume of grain on the market. I think I tried to deal with that before. It is all a matter of speculation, but I think it is an economic law that if you flood a market in excess of the power of absorption you are going to have a deflated price.

Q. There is one more question I would like to ask there. Mr. Evans in giving his evidence here claimed that there was an equalizing of markets all the time through the season, and the farmers feel that this equalization does not benefit them, because that comes about after they have sold their wheat at a lower market right after harvest?

—A. Well, Mr. Warner, I am afraid that I cannot give you very much assistance on those things. Mr. Evans probably has devoted very much time to analyzing the statistics of world conditions. I do not pretend to be a statistician in that respect. My experience in the grain business has been confined very largely to the country elevator end, the Commission office and the operation of terminals, and I have not very extensive knowledge regarding that. I do not really understand what is involved in the question, Mr. Warner.

Q. You think, then, there is no depression of the market at the time when we are putting our grain on the market—A. No, sir.

[Mr. F. W. Riddell.]

Q. —Except what the equalization will take care of?—A. No, sir, I do not say that at all. I say in reply to that that it is an economic law that if you put a large volume of a commodity on a market in excess of the actual requirements of the market, you must have depression. That is my point, and I do not care what the price is in relation to the price some other time. The assumption would be that if you put less on at the time when you are now putting a large amount on, you might have a higher price than you are getting now.

Q. Then the farmer would not get the benefit of this equalization that was supposed to go on, because his grain would be out of his hands, and it would be somebody else's grain at the time that the equalization took place?—A. Mr. Warner, may I say that I am not at all familiar with the argument advanced by Mr. Evans. I have had no opportunity of seeing what it is, and consequently I really could not reply off-hand to it. I have not any idea whatever what the basis of his argument is. I understand, however, that he has gone so far as to change his opinion regarding some figures which he submitted a few years ago, and it is quite possible that next year he may be doing the same thing—I do not know.

Mr. McMASTER: "Let knowledge grow from more to more."

The CHAIRMAN: The Committee will adjourn until 4 o'clock this afternoon.

The Committee adjourned at 1 p.m. until 4 o'clock p.m.

The Committee resumed at 4 o'clock p.m.

The CHAIRMAN: The Committee will please come to order. As there is a very interesting debate going on in the House, perhaps we had better proceed without waiting for more members. Mr. Riddell was being questioned by Mr. Knox just before the adjournment this morning.

Mr. KNOX: Yes, what I had in mind at the time was this: I asked Mr. Sanford Evans if he did not think the profits secured by the speculators on the Grain Exchange came out of the difference in price received by the producer and that paid by the consumer. Mr. Evans said No, that the profits secured by speculators came from other speculators. I wanted Mr. Riddell's opinion upon that?

The WITNESS: I do not think anybody could give you an accurate answer to that question. I would say it is possible that it is partially from both. That is to say, if there are other speculators in the business who lost, it is to be assumed that certain speculators made money. On the other hand, if they all won, the profits came either out of one end or the other. That is obvious. If you get into the trading game and make \$1,000 between the producer and the consumer, it is obvious that one or the other has lost, but as to determining which it is, I would not undertake to do that.

*By Mr. Knox:*

Q. I can quite see there would be times when probably a good slice of that profit would be made off another speculator, but I think we must admit a good portion of it must come off either the producer or the consumer?—A. I do not see how it is possible to say that, for this reason: You might find the successful speculators numerically small, and the unsuccessful speculators numerically large in number. Nobody can tell. The general impression seems to be that the small speculator almost inevitably loses. Dealing with grain prices is very much like spinning a coin, the market goes up or down as the coin falls head or tail. Under those conditions, it is conceivable that some speculators make money. Whether they go in again and lose it or not, I do not know.

Q. Suppose we take the general profits of the speculators as a whole, the balance left over would be secured from either the producer or the consumer?—A. To the extent that the speculators take money out of the business I think it is obvious that it comes out of either the producer or the consumer.

[Mr. F. W. Riddell.]

*By Mr. Warner:*

Q. Then do you think that if there were no speculators in grain there might be a little better price to the producer?—A. To come to that conclusion we would have to assume that the speculator in the business makes money out of it. If you assume that, I would say yes to your question.

*By Mr. McConica:*

Q. As I understand it, the consumer buys in about the same quantity each month? Is that substantially true?—A. I really could not answer that question. I think perhaps there may be a little misunderstanding in regard to that. As I stated before, I have not gone over this evidence sufficiently closely—in fact, I have not seen some of it—to be familiar with the point raised, but it would be quite possible for the consuming countries to be taking deliveries in uniform quantities when they did not buy in uniform quantities. In other words, they may buy a whole lot of grain to-day for periodical deliveries; so you do not establish anything in the matter of markets by merely stating that a European country takes a certain quantity of grain month by month.

Q. That is, your miller may buy a considerable quantity in anticipation of his future requirements?—A. Yes; I presume that is what he does.

Q. But the amount consumed is substantially uniform throughout the year?—A. I would think that would be so.

Q. I understand about 75 per cent is sold by the farmer in the three fall months?—A. That is to say, it is marketed by him? I do not think anybody could tell you.

Q. Not exactly, but substantially?—A. Yes.

Q. Then during those three months 25 per cent substantially would be used by the consumer?—A. Actually consumed, yes.

Q. Then 50 per cent during those three months would pass into the hands of those who were holding it for future disposition?—A. That would be the logical conclusion.

Q. And these men would either be men buying in anticipation of their future wants or speculators?—A. That would be a logical conclusion.

Q. And their object in buying this 50 per cent that they did not intend to use would be to get it at a lower price than they would subsequently have to pay for it?—A. I would regard that as good business on their part.

Q. So that 50 per cent goes on the bargain counter and the other 25 per cent is sold in competition with it later on?—A. That would be so, according to your illustration; but your figures may be slightly out, nevertheless.

*By Mr. Lovie:*

Q. Is there any manipulation in prices of street wheat sent out from day to day to different country elevators?—A. What do you mean by “manipulation”?

Q. The prices sent out every day are supposed to be the closing prices on the Grain Exchange on that particular day?—A. You refer now to the street prices?

Q. Yes?—A. This morning I made an explanation of the manner in which the street prices are determined.

Q. I have that?—A. That is the manner in which the street prices are set. The difficulty in connection with it so far as the farmers are concerned is that they will insist on comparing street prices with the current day's spot prices in Fort William.

Q. Are they always sent out the same to different stations having different freight rates?—A. As far as I know, yes. As far as I know the lists sent out are uniform lists on the same freight rates, and will vary only as the freight differential shows itself.

Q. I know there is a difference and I can prove it?—A. If that were the case I think perhaps the matter could be very well handled—I was going to say the Board of Grain Commissioners might be able to handle that, but I question very much if

[Mr. F. W. Riddell.]



they have any real authority over street prices. I certainly have not heard of differential lists being sent out. I have heard of lists being sent out and then perhaps owing to a keen competition on the market the people have exceeded those lists. I have not known of them being sent out over a large area in the way you suggest. I have seen this condition, when the official lists of the Grain Traders' Association have differed as between provinces.

*By Mr. Sales:*

Q. And between railway lines?—A. Yes; that is not a discrimination between two particular stations, but between two large railways, either by dividing as between the Canadian National line and the C.P.R. for a certain reason, or between Manitoba, Saskatchewan and Alberta for another reason.

*By Mr. McMaster:*

Q. What are those reasons?—A. In the case of a division as between railways it would be entirely because of the difference in the service which was being given by the roads in the matter of the supply of cars.

Q. That is to say, the buyer would be able to pay a little higher price for cars that might be delivered to a railway that was giving a little better service?—A. Yes; that condition existed last year over quite a period, to the extent of four cents a bushel as between the Canadian National lines and the C.P.R. lines.

Q. Which was giving the better service at that time?—A. (No answer.)

*By Mr. Lovie:*

Q. I am going to carry this point a little farther. The man to whom I made reference had a seat on the Grain Exchange and was a country buyer, and he so controlled the buying of grain in that town that the Board of Trade took the matter up. It is said he sent word to the Grain Exchange to lower the price of wheat so that street wheat was always about two cents lower there than elsewhere?—A. I could not undertake to answer for those conditions unless it could be shown that we were represented at that point. I do not know of any such circumstance. I could very easily understand where on a certain market the price would be two cents less than on another market, but I cannot understand that where the price was lower it was lower than the official list.

Q. The reason assigned for the fact that it was lower at this particular point was that this buyer had a seat on the Grain Exchange and controlled the price for years and years?—A. I do not believe that is a possibility. The Grain Exchange has no control over the members of the Exchange in the matter of fixing these prices; but certain firms who are members of the Grain Exchange have an organization of their own, and appoint a committee for setting what the Committee believes to be fair street prices.

*By Mr. McMaster:*

Q. What is the name of that association?—A. The Northwest Grain Dealers' Association, an entirely separate organization which may, however, consist entirely of members of the Grain Exchange.

*By Mr. Lovie:*

Q. A member of the Grain Exchange would have the inside track?—A. My point is that the fact that he was a member of the Grain Exchange would have nothing to do with it except in so far as he was also a member of the Northwest Grain Dealers' Association.

*By Mr. McMaster:*

Q. Is there ever manipulation for the purpose of establishing a low or a high closing price on the Exchange?—A. I have heard that such things have been done.

[Mr. F. W. Riddell.]

I could not prove it. I do not think it would be possible for anybody systematically to do it, because there are always two sides to a deal, a purchaser and a seller. I have heard it stated that certain people might be interested in having the market closed up or down, but I do not know that that really matters very much, because, the closing value does not represent the price of wheat for an extended period, but merely the price at which the last deal was put through.

Q. But does it not represent the price that would be offered by country elevators the next day for producers' wheat?—A. Yes; in so far as that last deal might be an option transaction, that is true. It would affect purchasers for a period between that time and possibly the same time the next day.

*By Mr. McMaster:*

Q. Would there not be just as many forces operating on the exchange to have the closing price high as there would be forces operating with the desire to have the closing price low?—A. I would not say there might be as many on the one side as on the other—that is, numerically, individuals—but there would be just as much interest on one side as there would be on the other, but the interest on one side may be represented by a few individuals, and on the other side by many individuals. You see my point?

Mr. McMASTER: Exactly.

Mr. STEWART: Mr. Chairman, to come back to the point that Mr. McConica was on, I would like to have Mr. Riddell's opinion expressed a little more definitely. The opinion has been expressed before this Committee that a Wheat Board could to advantage withhold wheat from the market, and also we have had figures and charts to show to us that it could not to advantage be held for any length of time off the market and in any quantity.

*By Mr. Stewart:*

Q. I would like you to express your opinion, Mr. Riddell, as to whether or not the Wheat Board could, say, hold the wheat from fall to spring to advantage, if necessary?—A. I would say the Wheat Board could, providing the circumstances, the conditions, were favourable to doing that, and they knew their business; they undoubtedly would withhold supplies from the market.

Q. Just to make that clear, you are basing that on your experience in the markets?—A. Yes sir.

Q. That is, of course, where we have the figures attempting to show us that we could not. One other question just along that line. The point has been raised as to whether the quality of our Canadian wheat would not enable a Wheat Board to use that wheat in feeding the world's markets, according to demand just because it has a special quality?—A. Yes sir, to a certain extent I would say yes, and the extent would depend more or less upon the volume of similar kind of grain grown by our competitors, which under present conditions would be mainly limited to the Northwestern States, because the Russian people are out of the market.

*By Mr. McMaster:*

Q. Do the Russians, in ordinary times, grow the same quality of wheat as we do?—A. It may not be so true to type and so well developed, but I make no pretence to know much about milling values; however, it has very similar milling characteristics, from the milling point of view, but it will perhaps be inferior in quality.

*By Mr. Stewart:*

Q. Is it at all possible that the Northern States now could supply even their domestic market with the hard wheat?—A. Well, of course, anything is possible, I will say that they have not been doing it in later years—and I am only giving my own opinion here—perhaps because in later years there has developed in the United

[Mr. F. W. Riddell.]



States a local trade for a higher quality of flour than was in existence a few years ago. For instance, that might have occurred through the prosperity, the comparative prosperity, of the southern States during the war period, for instance, when the prices of cotton advanced so tremendously. The usual consumption of low-grade wheats and corn and so forth was in a measure switched to a better quality of flour, creating a greater home market for the hard spring wheat flours. That is the explanation given to me. They have in the last few years developed a better home market for their better grade flours, and of course if circumstances force them they may have to go back again to the same conditions they had before.

Q. But could you give us any idea as to what percentage of our wheat, or if not in percentage in quantity, that market is liable to take? That is, under its present condition, with a fairly good demand for hard wheat and just an average crop in their own country?—A. I would not be able to give you any information on that, sir, because there would be a number of features enter into it. If you mean for domestic consumption I could not help you very much, but if you mean for trading purposes, the market probably could absorb most of it. We have here two exporting countries, each producing in an ordinary way more than its natural consumption. Therefore any volume of grain moving from one country to the other decreases the exportable service in one country but it increases the exportable service in the other country. Now, to the extent we pass grain from Canada to the United States they may keep it for their own consumption, but they release an equivalent quantity for export. If you are referring to how much of our wheat they would absorb for domestic consumption I could not tell you. They will just take as much as they need to meet their demand, and they still might continue taking our wheat and exporting either it or the equivalent in their own grades of wheat or flour, as the case might be.

*By Mr. McMaster:*

Q. Under the proposed reconstituted Wheat Board, would the Wheat Board sell as much to the States as under non-control?—A. I think you will see immediately Mr. McMaster, that I could not answer that question as to what any future Wheat Board might do, but I would say this, that the Wheat Board knowing its business would sell to them if it were advantageous to do so, or if it was disadvantageous, bearing in mind all the time that they are selling to somebody else; that is to say, you would have to regulate your sales to them in the matter of quantity and price so as not to interfere with your main object. If the quantity they were taking was small, it is obvious that you could not allow that to interfere with the greater sale. There would have to be a correct relationship based on conditions at the present time, so I could not offer any predictions as to what they might do.

*By Mr. McConica:*

Q. I have two letters from the States saying that during the time of the low price last fall they imported a considerable amount of wheat from Canada and paid the duty on it. Do you know whether that movement was general at all or not?—A. I could not answer that question, that is to say, from lack of knowledge. I have not the knowledge necessary to answer that question. There is a point, however, that the Committee itself might be able to get information upon, and that is as to whether after paying that duty they have not an arrangement with the United States for rebating 99 per cent of it upon the exportation of an equivalent quantity of flour. I have not been able to get any satisfaction on that point yet.

Q. I have one other matter. We have had before us considerable talk about the carrying charges, and how that would affect the farmer if he attempted to carry his wheat through until spring. Is it not a fact that the carrying charges would be the same to the farmer as to the speculator? Would they not both be substantially the same?—A. A speculator may speculate in grain without actually taking delivery of a

[Mr. F. W. Riddell.]



bushel of it. He speculates in contracts, as a matter of fact, there are very, very few speculators, if any, who speculate in grain. Grain costs money to hold and to store. It is perfectly obvious that if a man was wishing to speculate he would speculate on the most economical basis he could; that would be the buying or selling of contracts.

Q. But if fifty per cent of the wheat remains in somebody's hands from fall until spring, somebody has to pay the carrying charges, whether it is the farmer or the speculator?—A. Absolutely, sir; but they may be carried by a man who would not be classed as a speculator for the reason that he could have wheat on hand and be protected by his sales either of options on the market or contracts for specific delivery of grain.

*By Mr. McMaster:*

Q. Might it possibly be the European buyer?—A. Yes, sir, it might.

*By Mr. Millar:*

Q. I was just going to ask a question in regard to the American wheat. Mr. Watts made considerable of the fact that Kansas wheat came on the market about July, and that the necessity—I think he put it almost strongly enough to justify the words “imperative necessity”—of marketing the Canadian crop before it came in competition with the Kansas wheat. In connection with your experience with the Wheat Board, how much stress would you lay on that point? Did you try very much to get rid of it before the Kansas wheat came in competition with Canadian wheat, or did you assume that it was marketed judiciously?—A. Well, in connection with that, the legislation under which the Wheat Board operated, or the Order in Council, as the case may be, was not passed until I think the last day of July. I am not quite sure of the date.

Mr. McMASTER: July 31, 1919.

The WITNESS: So that any question of the Kansas crop was certainly not before the Wheat Board insofar as its past experience was concerned. It was the middle of August before the Board was appointed and could meet, and we were actually getting supplies of new wheat of our own western crop on the market before we started operating. Now, as to whether, if the Wheat Board had been continued a second year they would have found it desirable to enter into prior contracts, I would say most likely they would. Once again, that would depend absolutely upon conditions, which would have to be sized up by the people who were in charge.

*By Mr. Stewart:*

Q. How late in 1920 was the Wheat Board still marketing?—A. The life of the Wheat Board really was the marketing of the previous crop, the 1919 crop, so that there was no 1920 crop touched.

Q. I meant, how late in 1920 was the 1919 crop still being put on the market by the Wheat Board?—A. Speaking from memory, I would say that the latest deliveries were made in the month of September. Now, let me make that clear—

*By Mr. McMaster:*

Q. September of what year?—A. 1920. I do not mean to say by that that the latest sales might be made then. We might be delivering grain in September, 1920, that was contracted for in August or September, 1919, and I believe such is the case.

Q. Let me clear up something that is in my mind, probably because I do not understand the terms as well as I should. You say, had the Wheat Board been continued for the 1920 crop you might have had to deal in futures; is that what you say?—A. No, sir. That is to say, we might have made contracts in June or July—that is the point raised by Mr. Millar originally—for the new crop coming in in September.

Q. That is, you would have had to contract—A. I would not say that definitely.

Q. You might have had to contract—A. Yes, sir.

[Mr. F. W. Riddell.]

Q. For the sale of your crop which would be harvested in September, 1920, in June 1920?—A. A portion of it, yes, sir.

*By Mr. Sales:*

Q. And would that not have been to the advantage of the consumer, Mr. Riddell, to have done that?—A. Well, I don't know. We are in the realm of speculation.

Q. But take wheat, take the price of wheat in July in the year in which you closed, October, or take the price of wheat in Chicago at the time the Wheat Board was discontinued?—A. I really could not do that.

Q. Well, the price of your last sale in August. \$2.80 something?—A. It escapes my memory, Mr. Sales; it is a couple of years now since this happened.

Q. Yes, it is a long time ago. Well, in your opinion, if you had been operating at that time and had made future contracts and delivered wheat in the manner I have gathered from your remarks you would have done, that is, fed the market as it would have taken it, do you believe that the price could have been maintained? I am speaking of a year ago.—A. That is the price of wheat?

Q. Yes.—A. And you are speaking of the year following the operation of the Wheat Board?

Q. Yes.—A. I don't think that the very high price prevailing in the summer of 1920 could have been maintained all through the next year, but I do think this, that you would not have had the very serious and rapid decline that did take place when it was open.

Mr. SALES: Now we will follow the next year. I do not find, Mr. Chairman, chart No. 10 in this volume 7.

The CHAIRMAN: I think it is in a later volume.

The CLERK: That was the very last chart, was it not?

Mr. SALES: No; it was the chart which showed the decline of prices in this season.

The CLERK: There is no plate for that.

Mr. SALES: Well, I asked Mr. Stewart and I asked Dr. Magill. I have here on September 1, 1921, the spot price of wheat, \$1.59. Then we got down—

Mr. JOHNSON (Moosejaw): When you say spot price—

Mr. SALES: That is Fort William price.

The WITNESS: That is No. 1 Northern in store Fort William?

*By Mr. Sales:*

Q. No. 1 Northern in store Fort William on September 1, \$1.59; on September 15, \$1.48.7, that is \$1.48½, practically. Then we get down to October 31, at the end of October, \$1.10. On that chart I believe the lowest price shown was \$1.02, and I asked Mr. Stewart, in his opinion, had the Wheat Board been in operation could that have been avoided, and a further question, was there anything in the world's supply which warranted that declining price, because you remember it came back in March to \$1.47?—A. Yes, sir. What now is your question?

Q. My question is, was there anything in the world's supply, visible supply of wheat, to warrant that decline, we will say from \$1.47 back to \$1.47?—A. No, sir, not that I know of; I know of no reason.

Q. Except that we dumped our wheat on the market?—A. I do not know even as to that. It is a fact that it happened, with no apparent reason as far as I know.

Q. Well, a little further—I do not know whether you will know or not; you are a very modest man—would you say that had we had an intelligent marketing system such as the Wheat Board and the pressure removed from our farmers in the West, and marketed gradually, that decline might not have taken place?—A. I most certainly think that it would not have taken place.

[Mr. F. W. Riddell.]

Q. Now, there is another point, Mr. Riddell, that I want to get at, because this is rather important. As to the spreads in grain during the operation of the Wheat Board, the spreads between 1 and 2—A. Yes, sir, I understand.

Q. Between 2 and 3, 3 and 4, 5 and 6, and tough; can you give us that, or have you it with you?—A. Well, those are all contained in the regulations of the Board. If you wish me to look them up I could find them, but they are a matter of record, and I presume that the regulations—

Q. Let me quote you a figure. On September 1, I find that in Fort William No. 1 was \$1.59.4, No. 2 was \$1.52.4, that is, 6 $\frac{7}{8}$  between 1 and 2—A. Yes, sir.

Q. Between 3 and 4 it is 15 cents a bushel, between 4 and 5 it is 15 cents a bushel, and between 5 and 6 it is 15 cents a bushel. Now, there is no quotation here for tough wheat, but as I understand it, when the Wheat Board was in operation these spreads were definitely fixed, and you sold your wheat at the same spread that you charged the farmer; is that right?—A. Yes, sir.

Q. Now, if you can give us any idea of what spreads were in operation during that year, we will get an idea of what advantage it was to the farmer in this connection?—A. You will have to excuse me a moment while I look them up, because I am not—

An hon. MEMBER: Will you tell the Committee the difference in spread between 1 and 3, contract grades?

Mr. SALES: On September 1, 9 cents. They vary in different periods. On October 15, here is No. 1 at \$1.30, and No. 3 at \$1.13. There is 17 cents there between 1 and 3 on October 15.

The WITNESS: I have the regulation here covering the first 3 grades. There are some subsequent regulations covering the lower grades. As between 1 Northern and 1 Hard, and No. 3—those are contract grades—there is a spread of 7 cents, 7 cents a bushel.

*By Mr. Johnson (Moosejaw):*

Q. That is two grades?—A. There is 3 cents between 1 and 2, and 4 cents between 2 and 3, an aggregate spread of 7 cents. What was your other point, Mr. Sales?

*By Mr. Sales:*

Q. Then there was a spread, of course, between 4, 5 and 6, but the spread on tough especially, I think it was 8 cents?—A. I do not think it is so much; I think it is 6; I am not sure. Six cents on the first three grades. This is regulation No. 25 on page 82 of the Report. Low grade tough is \$2.09, that is low grade tough No. 1 Northern.

Q. Six, then, is less than the \$2.15?—A. Yes. Low-grade tough No. 2 is \$2.06, and low-grade tough No. 3 is \$2.02. Each of them, I believe, are 6 cents under the straight grades.

Q. Now, what is it on the average spread between tough and No. 1 Northern without the Wheat Board?—A. Well, it is very, very considerable; I would not be able to give you an intelligent answer to that unless I looked up the records.

Q. There is no tough?—A. They are easily ascertainable, and I would only be venturing an opinion that would not convey a correct impression.

Q. It has been 12 cents?—A. It might be easily 12 or 15; it might be 3 or 4, depending on conditions.

*By Mr. Duncan:*

Q. What effect would the Wheat Board have upon the small millers of Ontario and Quebec? I live in a locality where there are four or five small mills around and they claim that during the last Wheat Board they all lost money.—A. That would

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be a difficult question for me to answer. All I can say is that in so far as their domestic business is concerned, the volume of their domestic business, they were free to get all they could, just the same as they are now; but in addition to that, in so far as any export business was concerned, my recollection is this—in fact I will state it—that all the mills which so desired, any mill that desired to get a portion of the export business of the Wheat Board, got a portion of it in proportion to its milling capacity with the rest of them. Under that regulation there may have been some mills who said “We don’t want to have anything to do with the export business,” but if they wanted it—

Q. Were all of them invited?—A. Yes, sir. With every order any mill desiring A. Well, I think it is contained somewhere in this report. I have not those figures capacity on the volume of the order we had in hand.

*By Mr. McMaster:*

Q. Roughly, Mr. Riddell, what were the total expenses of the Wheat Board?—A. Well, I think it is contained somewhere in this report. I have not those figures in my mind.

Q. Well, just roughly?—A. We calculated that the cost of the Wheat Board was about half a cent a bushel; that would be some \$600,000, I think, approximately—something like that.

Q. How big a personnel did you have?—A. I would not be able to give you very much idea of that. I think, perhaps, if that is a question of importance that the financial accounts should be called for and placed before the Committee. I have not them clearly in mind, but a detailed statement could easily be got and placed in the hands of the Committee here.

Q. It is a mere question of interest to know how many people it took to run this concern?—A. I think there is some reference made regarding the number of offices that were open and the employees, is there not, in the report?

*By Mr. Johnson (Moosejaw):*

Q. But, Mr. Riddell, did you not use in that connection the existing grain-handling facilities and companies?—A. Oh, yes.

Q. Which would materially reduce your direct staff?—A. Oh, certainly. The numbers directly engaged by the Wheat Board would not be very large. The expenses such as I have been speaking of would cover not the question of staff so much—we calculated, for instance, that it cost us about a couple of hundred thousand dollars to make these two payments.

Q. That is, in exchange?—A. No; that is the cost of the printing and the labour. Some labour of that character was contracted.

Q. I have not got that clearly?—A. Well, we made two payments.

Q. To meet your initial advance of \$2.25, a subsequent one of 30 cents a bushel?—A. No; we made a subsequent one of 30 cents a bushel. The two I am speaking of are the 30 cents and the 18 cents. That necessitated a tremendous amount of clerical work. I am speaking again at a guess, but I think the business was in the neighbourhood of eight or nine hundred thousand participation certificates issued, and every one of those was registered in our office, and had to be presented for payment, arrangements made to pay and return, because they were not fully liquidated on the first payment and they had to come back again. There is where one main item of our expenses came in.

Q. Mr. Riddell, assuming that a Board of this character were re-established, could the expense in that connection—having the benefit of your past experience available—be considerably reduced by dealing more directly with the banks at the point of delivery of wheat?—A. We did deal with the banks, sir. Most of these certificates came through the banks. I think everything that it was possible to do, was done. The position that we were confronted with was this: at this particular

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time in the year when it was decided to make the first payment we found ourselves with a considerable quantity of money on deposit in the bank for which we were only able to get about 3 per cent interest; in some cases I think perhaps it was less; I am not sure. However, that was our interest rate, 3 per cent, and the reason that we decided to make an interim payment was because we knew that very many farmers were owing money at 8 per cent, and we figured that if it cost us \$100,000 to distribute the money, there was certainly an opportunity for the farmers to make more than that by liquidating their loans and saving the interest.

*By Mr. Knox:*

Q. Mr. Riddell, a very important point is there, that the wheat carried all the charges connected with the Wheat Board?—A. Yes, sir. The Wheat Board expenses were taken out of the proceeds of the sale of the grain, and the balance after the expenses were met forms the moneys which were distributed on the participation certificates.

*By Mr. Sales:*

Q. Objections have been raised that the farmers had no right to ask the Government to assist them and assume a financial risk which may be a loss. I wish you would tell the Committee what your ideas are regarding the risk, and also a little of the experience of financing the whole Board?—A. Well, that would take probably fifteen minutes' explanation. I would much prefer to have these questions separate, so that I will be dealing with them one at a time.

Q. Well, we will give them to you separately; give us your experience in financing the whole Wheat Board? How much did you have to have from the Government for that?—A. Well, sir, as far as I know we had no moneys from the Government at any time for the last Wheat Board.

*By Mr. Johnson (Moosejaw):*

Q. You just used the banks?—A. Yes; temporarily, at the commencement of operations and prior to some arrangements being made with a certain section of the trade, the Wheat Board had a credit with one of the large banks, and performed certain services which subsequently arrangements were made with the trade to do, and that is the only money that the Wheat Board borrowed from anybody, as far as I know.

Q. There is a point in connection with that, Mr. Riddell; I do not want to bring it out by means of a leading question, but I almost have to do it. You referred some time ago to the advances; in connection with this risk, it has been thought that the Government assumes a risk, or the Wheat Board assumes a risk, in advancing money. The point that I wish to bring out is that as wheat is delivered and as you sell in advance, assuming that you sell in July for future delivery, will not that tend to reduce your risk, because you have a fixed price assured on that amount anyway?—A. Yes, sir; that is from the point of view of the Government, if the Government were back of the scheme guaranteeing the accounts of the Wheat Board, no matter how they may be indirectly arranged—yes, sir.

Q. And the more wheat you sell, the risk is reduced in proportion?—A. Yes, sir.

*By Mr. Sales:*

Q. Mr. Riddell, wouldn't you assume—or would you assume—that there would be less of a risk to the Government with a Board handling all the wheat than there would be in the case of a voluntary Pool handling part of it?—A. That question came up this morning, perhaps, in a different form, and I stated then that in my opinion there is less risk with the complete system, complete compulsory system, than there is with the voluntary system where your volume of business is unknown.

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Q. That is, you could go ahead and make a definite contract, knowing absolutely that you were going to be able to get the wheat?—A. Yes, sir. Not only that, you have not some competitor interfering with your marketing.

Q. And with a voluntary system you would not know anything about how much you were going to get until you got it?—A. That is so.

*By Mr. McMaster:*

Q. But in connection with the voluntary Pool the Government would not come into it at all, would it?—A. I really could not answer that question, Mr. McMaster.

Q. Well, I do not see quite how it would. Let me make my point clear. My friend Mr. Sales asked you to compare, I understood, the risk run by the Government—A. Yes, sir.

Q.—In connection with the Compulsory Pool and a voluntary Pool. It strikes me—and you will correct me if I am wrong—that a voluntary Pool would not implicate the Government in any way?—A. It might not, but on the other hand it might.

Q. It might if the Government made advances to a voluntary Pool?—A. Yes, sir, or guaranteed advances.

Mr. JOHNSON (Moosejaw): Where else would it get the advances?

The Hon. Mr. MOTHERWELL: I think it is assumed that the Government would finance it.

*By Mr. McConica:*

Q. As a matter of fact, the only risk would be in the advance that was made; it might be too high?—A. That is, as far as the Government is concerned.

Q. And if it were made to a voluntary Pool or a compulsory Pool, it would be just the same in one case as in the other, would it not?

Mr. McMASTER: He thinks the compulsory Pool would work better.

Mr. WARNER: Mr. Riddell, I believe, says that the risk would be less because he would know that he was going to handle the wheat and he could handle it to better advantage if he knew he was going to get the wheat to meet his contracts.

The WITNESS: That is my opinion.

*By Hon. Mr. Motherwell:*

Q. In starting operations in the beginning of the season, until you would begin to sell some of the wheat and get the money back into the light—or we might say activity?—A. Yes sir.

Q. Up to that time you would have to have a reasonably substantial line of credit at the bank, would you not?—A. No sir; in connection with that—

Q. The point I was wanting to raise was, did the Government guarantee your line of credit to start with, do you remember?—A. I do not think it was done in that way. I think an arrangement was made between the Government and the banks officially—this is subject to correction, now—whereby the banks would loan money to the trade with some Government guarantee. It never came through the Wheat Board at all.

Q. Anyway, it did not involve any great difficulty in financing it; that is the point?—A. No sir.

Q. Do you remember during the evidence the question came up as to the various powers that the old Board had—I think it was brought up by Mr. Sanford Evans—in enumerating these various powers he pointed out that they had the power to put an embargo on Canadian wheat, did put an embargo on it, going into the United States. Do you remember what the object of that embargo was?—A. First of all I wish to refer to something here in order that it may be quite clear. The shipment

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of grain to the United States was prohibited by action of the United States authorities until December 15.

Mr. McMASTER: 1919.

The WITNESS: 1919.

*By Hon. Mr. Motherwell:*

Q. Did you say December?—A. December 15, 1919, as I recollect the date. The Wheat Board had no necessity even—

*By Mr. McMaster:*

Q. Except in wagon-load lots?—A. Yes sir, and that was by the same—

Mr. McMASTER: That was seen at Assiniboia.

The WITNESS: Yes sir. The action of the United States' authorities prohibited the export of grain to the United States until December 15, December 15 they lifted the embargo, and that was the time we stopped it going over, and we thought we had very good reason. I do not know whether you are interested in what the reason was or not.

Mr. McMASTER: I think the Committee would be.

Mr. JOHNSON (Moosejaw): Mr. Stewart gave us that anyway.

*By Mr. McMaster:*

Q. Let us have it again?—A. My recollection of the reason was this, that the embargo had been in existence prohibiting the importation of Canadian grain into their country a sufficiently long time to enable the Northwestern farmer to market his crop. He was marketing a commodity of which there was a scarcity in his own country. I am speaking now of the hard spring wheat. The consequence of that was there was a very big discrepancy in price between the high grades of hard spring wheat and the grades of Kansas wheat to which Mr. Watts referred. That spread went up to a considerable amount, perhaps 35 cents a bushel, a tremendous spread. Having then afforded an opportunity for their own farmers to take advantage of that high price, it became a question of the consumer, and their intention undoubtedly was to raise the embargo for the purpose of permitting Canadian grain to go into the market to depress that price which had been placed there owing to the shortage in their own market of high grade wheats. That was the reason we refused to permit the grain to go over. Had it gone over as they intended, the market would have dropped down,—less than one million bushels would have put it down—and thereby our larger volume of sales to the European markets would have been detrimentally affected.

*By Mr. Sales:*

Q. What did you do with regard to the Minneapolis market?—A. Prohibited the export of grain over the boundary. In fact, as far as possible we closed down on even wagon-load shipments, and then refrained from selling grain to the United States market subsequently excepting in small volume and under these conditions: The grain was sold in store in one of our large Canadian Government interior terminals, and invariably, speaking from memory, with the exception of the earlier sales sold to Montana County authorities for seed purposes, our prices of sale were higher than the existing price on the Minneapolis market. Our reason was this: Any American organization buying wheat under those circumstances could not possibly take that wheat and place it on the Minneapolis market for the purpose of deflating values.

Q. On page 193 of the official record appears chart No. 11, which was produced by Dr. Magill?—A. That is a very fine chart. Is this the chart that purports to give the prices of No. 1 Dark Northern in Minneapolis?

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Q. I think so.—A. Let us see what is involved in that. Any chart which purports to compare the price in Minneapolis with the Canadian Wheat Board prices should take certain facts into consideration. A few moments ago I stated that the then prevailing price for the high-grade wheat on the Minneapolis market was at a considerable premium over the other qualities of grain, and it represents a fictitiously high value simply because of its great scarcity. It does not convey any correct idea of the price at which the Canadian wheat crop was sold, because there was a tremendously high premium for this particular grade of grain, of which there was a very limited quantity. To that extent this chart misrepresents the facts. This matter came to our attention after the close of the Wheat Board, in consequence of some criticism which was levelled against the Wheat Board by a certain newspaper. At that time, as I recollect it, we calculated that a chart of this character might be out anywhere from 20 cents to 30 cents a bushel; that is, it would convey a wrong impression to the extent of 20 cents to 30 cents a bushel.

Q. Then a farmer studying the Minneapolis price on that chart would be rather misled into thinking that had he been permitted to ship to Minneapolis he could have got that price?—A. Yes.

Q. And if it had gone in any quantities at all, the market would have gone to pieces?—A. Absolutely.

*By Mr. McMaster:*

Q. Why would the putting of one million bushels of Canadian wheat on the Minneapolis market have borne down the price?—A. For the reason that you had a situation of a relatively high price because of the great scarcity of one grade of grain. That chart represents the values of the higher grade grain under the inspection system, and there was a very limited quantity of it. We had a very much larger quantity of wheat that would take that grade. If we had put one million bushels of No. 1 Dark Northern wheat on that market it might have gone down 50 cents a bushel.

Q. If there had been any substantial reduction on that market, would it not be likely that European buyers would have come on that market and helped to maintain the price by their purchases?—A. No. The Minneapolis market for wheat is not an export but a domestic market. The export market of the United States largely is Chicago, and some in the south.

*By Mr. Johnson (Moosejaw):*

Q. Did you say the Minneapolis market was an export market?—A. No, I said it was not an export market. It is a milling, domestic consumption market, an entirely different proposition; and you do not find European buyers on the Minneapolis market buying grain for export.

*By Mr. McMaster:*

Q. It would appear to me, just as a matter of commonsense, that if there was selling on the Minneapolis market high-grade wheat on a scale of prices that was descending, although buyers were not accustomed to come on that market, they would be attracted by that situation and would come on it and buy?—A. Our purpose was to maintain these higher prices on the Minneapolis market.

Q. The point I am trying to make is, were your fears altogether well founded that if you put a million bushels of wheat on the Minneapolis market you would have borne down the price as you say it would have been borne down? My idea is that if there had been any sensible diminution in the price the buyers would have come from other markets and put in buying orders which would have tended to support the price?—A. Why would we make our arrangements in such a manner that the buyer would go and buy our commodities off the Minneapolis market? Our object was an entirely different one. It was to sell to him direct and prevent him from going

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on the Minneapolis market. What would be the sense, as a business proposition, of our putting wheat on the Minneapolis market, thereby creating a condition whereby the European buyer would buy off that market?

Q. You could get the best price irrespective of where the purchases were actually made?—A. We sold to that market all the market would absorb without interfering with the general flow of prices. Our sales on that market were in small quantities—I mean our sales on the basis of that market, not our sales on that market, were in small quantities. We made sales on that basis, and those sales were made for delivery in store in our Canadian Government elevators in the West. We wanted to see that nobody else put it on that market for the purpose of deflating prices.

Q. What would have happened to the Wheat Board in 1919 if Mr. Stewart and yourself had become seriously ill at the same time?—A. The point you have raised is an important one. In connection with the operations of the Wheat Board, it is rather a mistake to assume that they were carried out by either one man or two men. The whole organization of the Wheat Board were the people who controlled the business and all the prices.

Q. Do you mean to suggest there was not either one or two dominating minds on the Committee that ran the Wheat Board?—A. No.

Q. Because there were?—A. Your point is that if one or two men were taken seriously ill—

Q. Both Mr. Stewart and yourself at the same time?—A. We have intelligent employees. Somebody is in charge of every section of our work. A man may not know all the rest of the business but he knows his own job.

Q. You do not need to map out your policy from day to day as to what was the best thing to do in regard to the sale of the wheat crop?—A. I would not say from day to day, but from time to time.

Q. From week to week?—A. No.

Q. From ten days to ten days?—A. Oh.

Q. I do not know whether Mr. Stewart gave this as evidence before the Committee or not, but at any rate it was not in a private conversation. He said: "I have seen myself follow a course of policy in regard to the matter of export business down to twelve o'clock, I have heard at twelve o'clock that there has been a shower of rain in Australia and have taken a different course in the afternoon by reason of that fact." That led me to believe that there must be a very careful watch kept by the dominating minds on the Wheat Board in order to have efficient management, and I therefore think my question is not improper when I ask you whether you decided your policy at least from ten days to ten days?—A. I am not objecting because I think the question is improper, and I am sorry if I conveyed that impression.

Q. Oh, no. There is absolutely no offence taken?—A. It is impossible for me to say it would be ten days or two weeks. It might be two minutes or it might be two months. For instance, you mention the instance of a shower of rain in Australia, which means an improved crop condition there.

Q. Or the expectation of an improved crop condition there?—A. Yes. That is something that enters into the consideration of every man in the grain exporting business today. He has to take all these things into consideration. He bases his judgment on all the information he can get. The condition to which you have referred is not an unusual condition to the men engaged in the business.

Q. You may address yourself to the objection contained in my question. It appears to me that the management of the Wheat Board has to be centred in comparatively few minds?—A. Yes, I agree with you.

Q. I would also lay it down as being true that the policy of the Wheat Board may have to be changed within very short periods of time?—A. Yes.

Q. I would think that if there were two dominating minds on a Wheat Board and those two men were laid aside by illness for any substantial period of time, that would very seriously affect the success of the Wheat Board. Is that fear on my part

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warranted or unwarranted?—A. I am quite satisfied that there are any number of grain men in Winnipeg who are perfectly convinced they could have run the Wheat Board much better than we ran it.

Q. That is not the general impression in the country, with all deference to your modesty?—A. That is simply because they were satisfied with it. They would have been just as satisfied with anybody else who got similar results.

*By Hon. Mr. Motherwell:*

Q. You were not there more than a quarter of your time yourself?—A. Yes, I was there all the time with the exception of one day per month when I attended elsewhere.

*By Mr. Pritchard:*

Q. I would like to review the evidence we have obtained from you.

The CHAIRMAN: Are you going to put a question to the witness?

Mr. PRITCHARD: No, but I want to clear up one or two things we may not understand, and I therefore beg leave to review the evidence we have been dealing with today. We have been basing some of our reasoning on the evidence we obtained from Mr. Evans. The regulating of the price of wheat is not done by the seller of wheat as in the case of other manufactured articles, but as has been brought out before this Committee the market that consumes the wheat sets the price, and according to the evidence it has been done by a few men. That is, the price has been fixed in Europe by a few men. Our statistician showed this Committee that they had a fairly good grasp of the amount of wheat available in the world. When they get these facts, it does not matter whether you withhold that wheat or offer it, they know the amount of wheat that is available, if not today, a week from today or a month or six months from today, and they know it has to come on the market. One man stated that if there is a small crop it goes around and is sufficient to supply the people for the year, and if there is a big crop it is used in the time, usually. We can understand that with a small crop less will be consumed and other things which happen to be as cheap or cheaper will be consumed in place of it. Some years before the war a lot of wheat appeared to disappear. It invisibly sank into our cattle and hogs; also low-grade wheat will go into our cattle and hogs. Where does the speculator get the money from? If the markets of the world knew the amount of wheat on hand a man can buy all he likes but he is not going to induce the buyer in England to pay him more money. He must eventually sell that wheat on the markets of the world the same as any other man, and if the market is fluctuating, while he makes money in the one case he may lose the next time. I fail to see how the speculator is taking anything out of that wheat at all, for he has no control over the selling of it. We come to the point brought up by Mr. McMaster as to what would happen if these two men on the Wheat Board were taken sick. Our present system of marketing wheat involves tens of thousands of men marketing wheat who do not know the facts with regard to the probable price for the world's supply. In the case of a Wheat Board, however, we have two men like Mr. Stewart and Mr. Riddell, without whose services we would be in difficulties. Does not that point to the fact that it is necessary that competent men should study the markets of the world and ascertain when we are getting a good price? I feel that the sellers of wheat are not taking much of a chance even on a falling market by allowing these men to have complete control of the marketing of that wheat, for this reason that they can exercise better judgment than any individual who is studying 101 other things.

THE CHAIRMAN: I am in the hands of the Committee, of course, but I think we had better confine our remarks to questions to the witness while we have the benefit of his presence here. This Committee must review the evidence at a later date.

[Mr. F. W. Riddell.]

Mr. PRITCHARD: Are these conclusions from the evidence we have received correct, or am I wrong? If so, we can be put right. I will ask the witness that.

Q. Are these conclusions which I have drawn from the evidence right or wrong?

—A. I am afraid I could not answer a question like that. It practically raises all the points we have dealt with. As far as possible, I have given all the information of which I am capable, and it is really demanding a reiteration of all I have stated in the form of a statement.

Q. In summing the matter up as I have done, have I the right conception of the various answers you have given to the questions asked by this Committee?—A. I really could not say.

Hon. Mr. MOTHERWELL: Several of the questions are based on the assumption that the witness is going to be sick.

Mr. McMASTER: He has been sick, and he may be sick again.

WITNESS: I know 40 men who think they could do it very much better than Stewart or anybody else did.

*By the Chairman:*

Q. What do you think?—A. We have our own opinion.

*By Mr. Johnson (Moosejaw):*

Q. We all have confidence in Mr. Stewart and yourself but I have confidence in a number of people to do the same job properly?—A. If this thing could only be operated by two men, I would say right now: Do not have anything to do with it.

Q. I think that is right. I could make a speech about how Mr. Riddell holds the position he does, and also his predecessor, but you are not interested in that. There are, however, two or three points with regard to the marketing of wheat that have not yet been brought out. By way of explanation I want to say that my questions are prompted by a marked copy of a Saskatchewan publication that came to me yesterday. I have repeatedly said there was no opposition in the Western provinces to the re-establishment of the Wheat Board, but a gentleman whom I know very well opposes it in an editorial.

The CHAIRMAN: Will you file the editorial?

Mr. JOHNSON: I have not got it with me, Mr. Chairman, but the statements are as follows: That the establishment of a Wheat Board would detrimentally affect the efficiency of the transportation companies in getting that wheat out. In other words, that it would tend to create a blockade. I have the opinion of the transportation companies, and I would like Mr. Riddell's opinion?—A. To answer your question briefly I would say that in a general way the reverse would be the case.

Q. That is the answer I have dictated to my friend already, and it has been confirmed by all the transportation men I have consulted. Another point of interest which has been discussed on several occasions here is the financing of the individual farmers. I think we have repeatedly heard it stated that the creditors of the farmers who would deliver this wheat under the Wheat Board would, under a voluntary system, be forced by their creditors to deliver all their wheat for the liquidation of their debts, and that if they had a dozen creditors, eleven of them might be lenient but in self-defence they would be forced by the action of the one who was not lenient to push that man to the wall, and that therefore the greater confidence which would be inspired by the existence of the Wheat Board would not be felt?—A. My personal opinion is that there would be no advantage to any creditor in taking an extreme action against the farmer. Under the Wheat Board he would know that a certain price was all he could get, anyway. There is always uncertainty under the open market method as to whether the price is going down or up. Under the Wheat Board it is uniform all the way through.

[Mr. F. W. Riddell.]



Q. There were twelve distinct points in this editorial, all of which have been answered (with the exception of one) specifically and publicly by the evidence brought out here, and we shall not need to deal with them. The one exception does not affect the country generally but does affect the people in the country: How did the Canada Wheat Board of 1919 deal with the question of choice seed grain and the distribution of seed generally, particularly what we know as Registered or Elite seed, by producers and by the Provincial Seed Commission? Probably Mr. Riddell can explain that.

Hon. Mr. MOTHERWELL: You mean the Federal Seed Commission?

Mr. JOHNSON (Moosejaw): No; I mean the Provincial Seed Commission under the management of Mr. Wilson.

Hon. Mr. MOTHERWELL: Well, that is Federal.

Mr. JOHNSON (Moosejaw): I beg your pardon. I thought it was provincial.

The WITNESS: In so far as the Wheat Board doing anything detrimental to the grower of registered seed or of seed in that classification is concerned, other than the ordinary commercial seed, to my knowledge nothing detrimental was ever done. It was not in regard to the same commercial classification of seed at all.

*By Mr. Johnson (Moosejaw):*

Q. There was nothing to prevent the transfer of seed from one farmer to another? —A. No, sir, whether it was registered seed or anything else, so far as that is concerned, absolutely nothing. Mr. Clark is here, I see, and he will know better than I whether or not there were any complaints from the seed men. I did not hear them.

Mr. CLARK: Might I state something, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. CLARKE: At the request of the Seed Purchasing Commission, in issuing the regulations the Wheat Board exempted from those regulations registered seed and left to the growers of the registered seed the opportunity to sell it at as high a price as they could get.

Mr. JOHNSON (Moosejaw): The elite seed, Mr. Clark—you understand these technical terms; what is the meaning of the term "elite" or second or third generation?

Mr. CLARK: Elite seed is registered seed. We have several grades of seed. The highest grade is registered, the next now is extra No. 1, which is true to variety, the next is No. 1, which is handled by our Seed Purchasing Commission, and in some years No. 2, in years of scarcity, also handled by our Seed Purchasing Commission. In grass and clover seeds, of course, we take the lower grades.

The WITNESS: Might I make a further statement in connection with this, Mr. Chairman? Mr. Wilson, who was out West in connection with the Seed Purchasing Commission, made his grain transactions direct with the farmers as he saw fit without any interference by the Wheat Board as far as I remember. Moreover, to the extent he did not get by that process his requirements, he got them from the Wheat Board, and there was never any trouble or complaint that I heard of.

Mr. CLARK: In obtaining supplies the Seed Purchasing Commission had two sources, one to coax the wheat into the Government Interior terminal elevators by paying a premium, and the other to force the wheat to the elevators as a result of orders from the Wheat Board. We obtained our No. 1 and No. 2 grades of seed wheat, also of seed oats to a limited extent, on the orders of the Wheat Board. The Wheat Board issued orders that for certain areas, nominating shipping points, all the wheat from those areas would be moved to the Canadian Government interior terminal elevators, specifying the elevators. The Seed Purchasing Commission took delivery of all the wheat that came to those elevators during that period, selected therefrom the wheat

[Mr. F. W. Riddell.]



that was grade No. 1 C, and turned over the balance of the wheat to the mills on receipt of the orders from the Wheat Board.

The CHAIRMAN: Are there any other members of the Committee wish to ask any questions of Mr. Riddell?

Mr. McMASTER: I think he has been on the chair long enough.

The CHAIRMAN: On behalf of the Committee I have much pleasure in thanking Mr. Riddell.

The WITNESS: I thank you gentlemen also, for the patient hearing you have given me.

The CHAIRMAN: I have a telegram from Mr. W. T. Moore, whom Mr. Duncan suggested would be an interesting witness. He was written to last week asking him if he could come down to-day or to-morrow. He replies:

"Letter received thanks. Impossible to be in Ottawa this week. Ontario Millers under old Wheat Board did not get fair deal. If Western Farmers must sell wheat early, and wish to speculate, the option market is open to them same as to millers, and grain dealers. Should be no objection to each province forming voluntary pool, but Federal Government should keep out of it.

(Sgd.) W. T. Moore.

Mr. JOHNSON (Moosejaw): Mr. Chairman, it would appear to me that if we have no other witnesses we should have a concrete proposal before us, something we can discuss in a very definite way. Unless somebody else has a resolution which they wish to put forward I would like to submit one. It may be accepted, it may be amended, or it may be entirely rejected, but I believe in being specific, and I have carefully drafted a resolution. Of course, it is along the line of accepting the things which we wish. That does not mean that this Committee is obligated to accept it. In that connection I would move—I do not know who will second it—without preamble:

"1. It is desirable in the national interests that the Government immediately create a National Wheat marketing agency similar to the Canada Wheat Board of 1919, for the marketing of the wheat crop of 1922, and that

2. This agency be given all the powers of the Wheat Board of 1919 as are within the jurisdiction of Parliament to grant, and that

3. An Act be passed, based on this Resolution, to become effective by Proclamation, as soon as two or more of the Provinces have conferred upon this agency such powers possessed by the Wheat Board of 1919 as come within provincial jurisdiction."

My idea in presenting this to-day is that the Committee may have it before them for a day or two to discuss it.

Mr. PRITCHARD: I second the motion.

The CHAIRMAN: Gentlemen, you have heard the motion, moved by Mr. Johnson, and seconded by Mr. Pritchard.

The Hon. Mr. MOTHERWELL: Not that it be carried, but that it be made the subject of discussion.

The CHAIRMAN: The procedure is that this Resolution shall be laid upon the table until our next meeting.

Mr. McCONICA: In order that it be discussed at the next regular meeting.

The Hon. Mr. MOTHERWELL: Yes.

The CHAIRMAN: The Committee will stand adjourned to meet on Thursday next at 11 o'clock.

The Committee adjourned at 5.45 o'clock p.m., until Thursday, May 11, 1922 at 11 o'clock a.m.

## EXHIBIT No. 5

(Advertisement from Toronto Saturday Night, March 25, 1922)

## A REMARKABLE TABLE OF DIVIDENDS

Next to growing the grain, flour milling is the most natural of all Canadian industries. Yet strangely enough this industry has not had the growth in Canada that its merits deserve, or that the amazing profits in it should have stimulated. For example: The following is a table of the Dividends paid by the various Canadian Milling Companies in the past few years. These Dividends in most cases were only paid after setting aside substantial reserves out of earnings.

## RECORD OF DIVIDENDS

(Taken from the Annual Financial Review, 1921 Edition)

*The Ogilvie Flour Mills Company, Limited*

Preferred Shares 7% per annum regularly paid

## Common Stock Dividend

1917 Cash Dividends.. . . . .	10½% and 15%
1918 Cash Dividends.. . . . .	12 % and 15%
1919 Cash Dividends.. . . . .	12 % and 15%
1920 Cash Dividends.. . . . .	12 % and 10%

*Lake of the Woods Milling Company, Limited*

Preferred Shares 7% per annum regularly paid

## Common Stock Dividend

1917 Cash Dividend.. . . . .	8 %
1918 Cash Dividend.. . . . .	10½% and 2 Bonuses of 2½% each
1919 Cash Dividend.. . . . .	12 %
1920 Cash Dividend.. . . . .	12 % and 25% Bonus

*Maple Leaf Milling Company, Limited*

Preferred Shares 7% per annum regularly paid

## Common Stock Dividend

1917 Cash Dividends.. . . . .	10% and 11½%
1918 Cash Dividends.. . . . .	10% and 14%
1919 Cash Dividends.. . . . .	12%
1920 Cash Dividends.. . . . .	12%
1921 Cash Dividends.. . . . .	12%

The Maple Leaf Common Shares above referred to were given as a bonus with the Preferred Shares when they were placed on the market. The present market value of the Common Stock is \$115 per share.

*Western Canada Flour Mills Company, Limited*

## Common Stock Dividend

1918 Cash Dividends.. . . . .	8% and 2% and 10% in Victory Bonds
1919 Cash Dividends.. . . . .	8% and 2% and 10% in Victory Bonds
1920 Cash Dividends.. . . . .	8% and 2% and 15% in Stock

## Common Stock Dividend

60 King St. West, Toronto











## SELECT STANDING COMMITTEE

ON

## Agriculture and Colonization

## MINUTES OF PROCEEDINGS

No. 14—THURSDAY, MAY 11th, 1922

THURSDAY, May 11, 1922.

The Committee met at eleven o'clock a.m., Mr. Kay, the Chairman, presiding. Present:—Messieurs Boivin, Bowen, Brethen, Brown, Cahill Campbell Carruthers, Charters, Chew, Crerar, Dickie, Duncan, Evans, Fafard, Fontaine, Forke, Forrester, Fortier, Fournier, Garland (Bow River), Gervais, Good, Hatfield, Jelliff, Johnson (Moosejaw), Kennedy (Glengarry and Stormont), Knox, Lafortune, Lanctôt, Leader, Léger, Lovett, Lovie, Lucas, MacKelvie, MacLean (Prince), McConica, McCrea, McKay, McMaster, Millar, Milne, Morin, Morrison, Motherwell, Neill, Ouimet, Pritchard, Robinson, Sales, Senn, Sexsmith, Simpson, Sinclair (Queens, P.E.I.), Stevens, Stewart (Humboldt), Sutherland, Thurston, Tobin, Warner, White, Wilson and Woodsworth.—64.

The following Resolution, of which notice had been given at a previous meeting of the Committee was moved by Mr. Johnson (Moosejaw), seconded by Mr. Pritchard: Resolved that,—

1. It is desirable in the National interests that the Government immediately create a national wheat marketing agency similar to the Canada Wheat Board of 1919, for the marketing of the wheat crop of 1922, and that.

2. This agency be given all the powers of the Wheat Board of 1919 as are within the jurisdiction of Parliament to grant, and that

3. An Act be passed, based on this Resolution, to become effective by Proclamation as soon as two or more of the Provinces have conferred upon this agency such powers possessed by the Wheat Board of 1919 as come within Provincial jurisdiction.

And a Debate arising thereon; the said Debate was, on motion of Mr. Millar, adjourned.

Committee adjourned at one o'clock p.m. to meet on Friday, May twelfth, at eleven o'clock a.m.

ARTHUR GLASIER,

*Clerk to Committee.*



# SELECT STANDING COMMITTEE

JACKMAN

ON

## Agriculture and Colonization

### MINUTES OF PROCEEDINGS

No. 15—FRIDAY, MAY 12th, 1922

FRIDAY, May 12, 1922.

The Committee met at eleven o'clock a.m., Mr. Kay, the Chairman, presiding. Present:—Messieurs Baldwin, Boivin, Boucher, Bourassa, Bowen, Brethen, Brown, Cahill, Caldwell, Campbell, Carruthers, Chew, Clifford, Crerar, Déchène, Delisle, Denis (Joliette), Denis (St. Denis), Desaulniers, Desrochers, Dickie, Duncan, Evans, Fafard, Fontaine, Forke, Forrester, Fortier, Fournier, Garland (Bow River), Gauvreau, Gendron, Gervais, Good, Halbert, Hatfield, Hunt, Jeliff, Johnson (Moosejaw), Jones, Kennedy (Glengarry and Stormont), Knox, Laflamme, Lafortune, Lanctôt, Lapierre, Leader, Léger, Lovett, Lovie, Lucas, MacKelvie, MacLean (Prince), McConica, McCrea, McKay, McMaster, McMurray, Malcolm, Marcile (Bagot), Millar, Milne, Morin, Morrison, Morrissey, Motherwell, Munro, Neill, Ouimet, Papineau, Prévost, Pritchard, Rankin, Raymond, Robinson, Sales, Savard, Séguin, Sexsmith, Simpson, Sinclair (Oxford), Sinclair (Queens, P.E.I.), Spence, Stansell, Stevens, Stewart (Argenteuil), Stewart (Humbolt), Sutherland, Thompson, Thurston, Tobie, Warner, White, Wilson and Woodsworth—96.

The Committee resumed the adjourned Debate on the proposed Resolution which had been moved by Mr. Johnson (Moosejaw) on Thursday, May 11.

And the Debate continuing, the said Debate was, on motion of Mr. Motherwell, adjourned.

Committee adjourned at 12.30 o'clock p.m. to meet on Tuesday, May 16, at 11 o'clock a.m.

ARTHUR GLASIER,  
*Clerk to Committee.*





# SELECT STANDING COMMITTEE

JACKMAN

ON

## Agriculture and Colonization

### MINUTES OF PROCEEDINGS

No. 16—TUESDAY, MAY 16th, 1922

TUESDAY, May 16, 1922.

The Committee met at eleven o'clock a.m., Mr. Kay, the Chairman, presiding. Present:—Messieurs Baldwin, Boucher, Bowen, Brethen, Brown, Caldwell, Campbell, Carruthers, Clifford, Crerar, Delisle, Denis (St. Denis), Desaulniers, Desrochers, Dickie, Duncan, Evans, Fafard, Forke, Forrester, Fortier, Garland (Bow River), Gauvreau, Good, Halbert, Hatfield, Hunt, Jelliff, Johnson (Moosejaw), Jones, Kennedy (Glengarry and Stormont), Knox, Lafortune, Lanctot, Lapierre, Leader, Léger, Lovett, Lovie, Lucas, MacKelvie, MacLean (Prince), McConica, McCrea, McKay, McMaster, McMurray, Malcolm, Marcile (Bagot), Millar, Milne, Morin, Morrison, Morrisey, Motherwell, Munro, Neill, Ouimet, Papineau, Prévost, Pritchard, Rankin, Raymond, Robinson, Sales, Savard, Séguin, Sexsmith, Simpson, Sinclair (Oxford), Sinclair (Queens, P.E.I.), Spence, Stansell, Stevens, Stewart (Humboldt), Sutherland, Thompson, Thurston, Tobin, Warner, White, Wilson and Woodsworth—84.

The Committee resumed the adjourned debate on the proposed Resolution moved by Mr. Johnson (Moosejaw) on Thursday, May 11.

And the Debate continuing, the said Debate was, on motion of Mr. Johnson, adjourned.

Committee adjourned at 12.30 o'clock p.m., to meet on Wednesday, May 17, at 11 o'clock a.m.

ARTHUR GLASIER,

*Clerk to Committee.*





# SELECT STANDING COMMITTEE

ON

JACKMAN

## Agriculture and Colonization

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### MINUTES OF PROCEEDINGS

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No. 17—WEDNESDAY, MAY 17th, 1922

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WEDNESDAY, May 17, 1922.

The Committee met at 11 o'clock a.m., Mr. Kay, the Chairman, presiding. Present: Messieurs Baldwin, Brethen, Brown, Caldwell, Carruthers, Déchène, Delisle, Denis (St. Denis), Desaulniers, Duncan, Evans, Fontaine, Forke, Forrester, Fortier, Garland (Bow River), Gauvreau, Good, Halbert, Hatfield, Hunt, Jeliff, Johnson (Moosejaw), Kennedy (Glengarry and Stormont), Knox, Lanctôt, Leader, Léger, Lovett, Lovie, Lucas, MacLean (Prince), McConica, McCrea, McKay, McMaster, McMurray, Malcolm, Marcile (Bagot), Millar, Milne, Morin, Morrison, Motherwell, Munro, Niell, Ouimet, Papineau, Pritchard, Rankin, Robinson, Sales, Savard, Sexsmith, Sinclair (Oxford), Sinclair (Queens, P.E.I.), Stansell, Stewart (Humboldt), Thompson, Thurston, Tolmie, Warner and Woodsworth.—63.

The Chairman submitted that, for a number of years, the Committee on Agriculture has had under consideration the question of standardization of agricultural implement parts, and he desired to know whether this Committee was in favour of having the matter again referred to the Committee by the House for further consideration.

Committee approved.

On motion of Mr. Evans, seconded by Mr. Gauvreau, it was ordered:—

“That in the event of the standardization of agricultural implement parts being referred to the Committee, Senator the Hon. Archibald B. McCoig be requested in the usual manner to attend and give evidence at some future meeting of the Committee.”

The Committee resumed the adjourned Debate on the proposed Resolution which had been moved by Mr. Johnson (Moosejaw), on Thursday, May eleventh.

And the question being proposed, as follows:—

Resolved that,—

“1. It is desirable in the National interests that the Government immediately create a national wheat marketing agency similar to the Canada Wheat Board of 1919, for the marketing of the wheat crop of 1922, and that

“2. This agency be given all the powers of the Wheat Board of 1919 as are within the jurisdiction of Parliament to grant, and that

“3. An Act be passed based on this Resolution, to become effective by Proclamation as soon as two or more of the Provinces have conferred upon this agency such powers possessed by the Wheat Board of 1919 as come within Provincial jurisdiction.”

Mr. McMaster moved in amendment thereto, seconded by Mr. Hatfield, that all the words after “that” in the first line of the Resolution be struck out and the following substituted therefor:—

“while not opposed to any system of collective or co-operative marketing of wheat into which the grain growers of the West may desire to enter, it is inexpedient in the public interest to re-constitute the Canada Wheat Board or any other organization with powers of compulsorily acquiring wheat from the producers.”

And the question being put on the amendment it was lost, on the following division:—

#### YEAS

##### Messieurs

Baldwin,  
Carruthers,  
Déchène,  
Delisle,  
Denis (*St. Denis*),  
Desaulniers,  
Duncan,  
Fontaine,  
Forrester,

Fortier,  
Gauvreau,  
Hatfield,  
Hunt,  
Lancôt,  
Lovett,  
McCrea,  
McMaster,  
McMurray,

Malcolm,  
Marcile (*Bagot*),  
Morin,  
Motherwell,  
Ouimet,  
Rankin,  
Robinson,  
Savard,  
Sinclair (*Queens, P.E.I.*).

—27.

#### NAYS

##### Messieurs

Brethen,  
Brown,  
Caldwell,  
Evans,  
Forke,  
Garland (*Bow River*),  
Good,  
Halbert,  
Jeliff,  
Johnson (*Moosejaw*),  
Kennedy (*Glengarry and Stormont*),

Knox,  
Leader,  
Lovie,  
Lucas,  
MacLean (*Prince*),  
McConica,  
McKay,  
Millar,  
Milne,  
Morrison,  
Munro,  
Niell,

Pritchard,  
Sales,  
Sexsmith,  
Sinclair (*Oxford*),  
Stansell,  
Stewart (*Humboldt*),  
Thompson,  
Thurston,  
Tolmie,  
Warner,  
Woodsworth.—34.

And the question being put on the main motion, it was agreed to, on the following division:—

## YEAS

## Messieurs

Brethen,	Kennedy ( <i>Glengarry and Stormont</i> ),	Morrison,
Brown,	Knox,	Munro,
Caldwell,	Leader,	Niell,
Evans,	Lovie,	Pritchard,
Forke,	Lucas,	Sales,
Garland ( <i>Bow river</i> ),	MacLean ( <i>Prince</i> ),	Sexsmith,
Good,	McConica,	Sinclair ( <i>Oxford</i> ),
Halbert,	McKay,	Stewart ( <i>Humboldt</i> ),
Jeliff,	Millar,	Thurston,
Johnson ( <i>Moosejaw</i> ),	Milne,	Tolmie,
		Warner,
		Woodsworth.—32.

## NAYS

## Messieurs

Baldwin,	Gauvreau,	Morin,
Carruthers,	Hatfield,	Motherwell,
Déchène,	Hunt,	Ouimet,
Delisle,	Lancôt,	Papineau,
Denis ( <i>St. Denis</i> ),	Lovett,	Rankin,
Desaulniers,	McCrea,	Robinson,
Duncan,	McMaster,	Savard,
Fontaine,	McMurray,	Sinclair ( <i>Queens, P.E.I.</i> ),
Forrester,	Malcolm,	Thompson.—29.
Fortier,	Marcile ( <i>Bagot</i> ),	

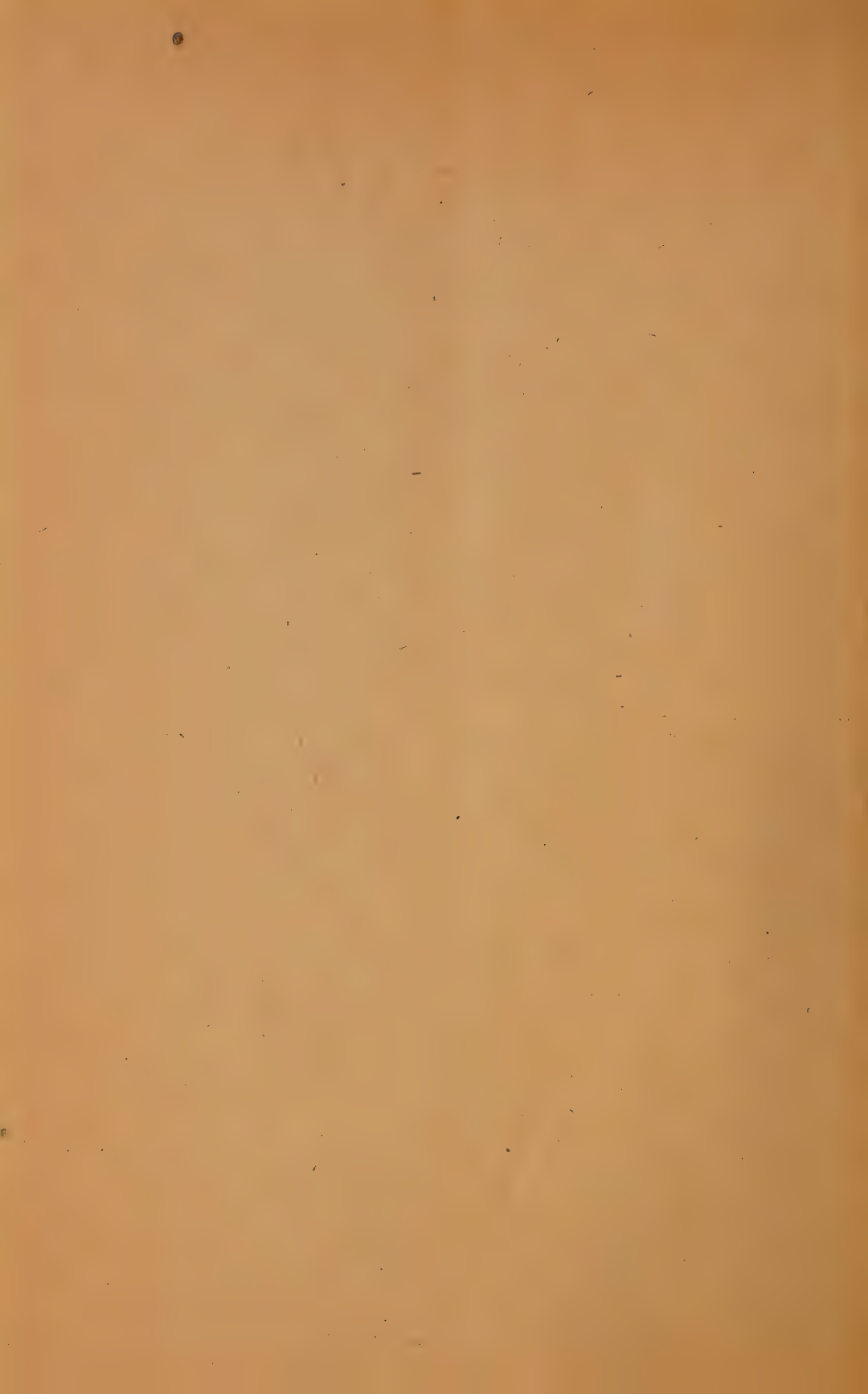
On motion it was ordered:

That a sub-committee be appointed consisting of the Chairman with Messieurs Forke, Johnson, Stevens, Tolmie, McKay, McMaster, Morin and Malcolm to prepare a draft Report to be submitted to the main Committee as the Report of this Committee to the House.

Committee adjourned at 1 o'clock p.m. to meet at the call of the Chair.

ARTHUR GLASIER,  
Clerk to Committee.





SELECT STANDING COMMITTEE

JACKMAN

ON

# AGRICULTURE AND COLONIZATION

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No. 18—TUESDAY, MAY 23, 1922

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Consideration of Draft Report

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SELECT STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS

TUESDAY, May 23rd, 1922.

The Committee met at eleven o'clock A.M., Mr. Kay, the Chairman, presiding. Present:—Baldwin, Boivin, Bouchard, Boucher, Bourassa, Bowen, Brethen, Cahill, Caldwell, Campbell, Chew, Clifford, Crerar, Déchène, Delisle, Desaulniers, Desrochers, Duncan, Evans, Fafard, Fontaine, Forke, Forrester, Fournier, Garland (Bow River), Gauvreau, Gendron, Gervais, Good, Halbert, Hatfield, Jeliff, Johnson (Moosejaw), Kennedy (Glengarry and Stormont), Knox, Lanctôt, Lapierre, Léger, Lovett, Lovie, Lucas, MacLean (Prince), McConica, McCrea, McKay, McMaster, Malcolm, Marcile (Bagot), Maybee, Millar, Milne, Morin, Morrison, Morrissey, Motherwell, Munro, Niel, Ouimet, Papineau, Prévost, Pritchard, Rankin, Raymond, Robinson, Sales, Savard, Sexsmith, Sinclair (Queens, P.E.I.), Stevens, Stewart (Humbolt), Sutherland, Thompson, Thurston, Tobin, Warner, White and Wilson.—78.

The Chairman read the following Report from the sub-committee appointed to prepare a draft Report as the Report of this Committee to the House:—

DRAFT OF REPORT OF STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION

Your Committee on Agriculture and Colonization begs to report as follows:

(1) That on the 23rd March, 1922, a Memorandum from the Canadian Council of Agriculture, requesting the re-establishment of the Canada Wheat Board of 1919, was laid before the House of Commons.

(2) That on the 27th March, 1922, it was moved by the Honourable W. R. Motherwell and agreed to that the said Memorandum be referred to the Select Standing Committee on Agriculture and Colonization.

(3) That your Committee has been engaged for many weeks past in the hearing of witnesses representing the views of various occupations and industries affected or liable to be affected by the proposed legislation,—including Messrs. James Stewart and F. W. Riddell, who had been prominently associated with the operations of the Canada Wheat Board of 1919,—and in the discussion of the question.

(4) That at an early meeting of the Committee the question as to the constitutionality of the proposed re-constitution by the Federal Government of the Canada Wheat Board was raised, and on the 4th of April, 1922, the Chairman of the Committee presented its second Report, which was in the following terms:

“That without delaying investigation by this committee as to the advisability of the re-establishment of the Canada Wheat Board, the matter of the constitutionality of such re-establishment be referred to the Supreme Court of Canada and that every effort be made to secure decision at an early date.”

As well as the third Report of the Committee, which read as follows:

“That the reference to the Committee of the Memorandum of Council of Agriculture be enlarged and that the Committee be instructed to consider also the suggestion of a “Voluntary Pool”, under control of the Government and working in conjunction with the elevator system now owned by the Government, and also the proposal of marketing of the wheat crop by the co-operative system, and to report to the House its findings.”

(5) The following day, on the 5th April, 1922, the Chairman of the Committee moved that these Reports be concurred in. The Motion stood until the 7th April, 1922, when it was moved by the Right Honourable Mr. Meighen, by way of an amendment,

that "the said Report be not concurred in but be referred back to the Committee on Agriculture for further consideration." This amendment was carried, as well as the Motion of the Chairman for concurrence in the third report.

(6) Upon the matter being brought before the Committee, it was decided that the constitutional question involved should be submitted for the opinion of the Law Officers of the Crown instead of being submitted to the Supreme Court. A Report to this effect, being the fourth Report of the Committee, was made to the House of Commons and concurred in on the 11th of April, 1922. This Report was in the following terms:

"That the question of the constitutionality of the reconstruction of the Wheat Board with the powers conferred thereon by the Orders in Council establishing or extending the same be referred to the Law Officers of the Crown for their reasoned opinion."

(7) The Law Officers' Report, dated 17th April, 1922, was submitted to the House on the 19th of the month and is found attached hereto as Appendix "A" to form part hereof.

(8) During the discussions of the Committee, a Sub-Committee composed of the Honourable S. F. Tolmie, Mr. R. M. Johnson and Mr. Andrew McMaster, was appointed on the 24th April 1922, "with authority to confer with the Law Officers of the Crown and experts in the grain business, including Messrs. James Stewart and F. W. Riddell and such others as it may deem advisable to ascertain to what extent the Canada Wheat Board or other national wheat marketing system, compulsory or otherwise, may be established by this Parliament, with or without supplementary provincial legislation, and to report its findings to this Committee."

(9) This Sub-Committee submitted several questions in writing to the Deputy Minister of Justice and also had two interviews with him. Its findings were submitted to the Committee on May 4th, 1922, and are found at length attached hereto as Appendix "B" to form part thereof.

(10) On the 9th May, 1922, the following Resolution was moved by R. M. Johnson (Moosejaw), seconded by Mr. Prichard:

"1. It is desirable in the national interests that the Government immediately create a national wheat marketing agency (similar to the Canada Wheat Board of 1919) for the marketing of the wheat crop of 1922, and that

2. This agency be given all the powers of the Wheat Board of 1919 as are within the jurisdiction of Parliament to grant, and that

3. An Act be passed, based on this resolution, to become effective by proclamation as soon as two or more of the provinces have conferred upon this agency such powers possessed by the Wheat Board of 1919 as come within provincial jurisdiction."

(11) This Resolution was discussed at several meetings of the Committee. On May 16th, 1922, the following amendment was proposed by Mr. McMaster (Brome):

"Resolved that while not opposed to any system of collective or co-operative marketing of wheat into which the grain growers of the West may desire to enter, it is expedient in the public interest to re-constitute the Canada Wheat Board or any other organization with powers of compulsorily acquiring wheat from the producers."

The amendment of Mr. McMaster being put to the Committee, the same was defeated by 27 to 34 against; and upon the Resolution proposed by Mr. Johnson being submitted to the Committee, the same was carried by 32 for to 29 against.

(12) The evidence taken and the minutes of proceedings are submitted and attached hereto.

The whole respectfully submitted.

W. F. KAY,  
*Chairman.*

APPENDIX "A"

OTTAWA, April 17, 1922.

Memorandum for the Minister of Justice:

The House of Commons on 11th instant having concurred in a report of the Committee on Agriculture and Colonization recommending "that the question of the constitutionality of the reconstruction of the Wheat Board, with the powers conferred thereon by the Orders in Council establishing or extending the same, be referred to the law officers of the Crown for their reasoned opinion," I submit for your consideration the following statement of my opinion.

The Canadian Wheat Board to which the resolution refers was constituted under authority of an Order in Council, No. 1589, of July 31, 1919, which was sanctioned, as therein expressed, "under and in virtue of the War Measures Act," and there are several amending Orders, the principal one being No. 1741 of August 18, 1919. The powers, duties and rights of the board as set forth in these Orders in Council were by the terms of an Act respecting the Canadian Wheat Board, Chapter 9 of 1919, second session, continued in force for eighteen months from the passing of that Act, November 10, 1919, and the Governor in Council was thereby empowered to fill vacancies and to make regulations for the extension, conduct or management of the business of the board. The Orders in Council and the rules, regulations and orders made thereunder by the board were moreover by the provisions of an Act concerning the Canadian Wheat Board, Chapter 5 of 1921, ratified and confirmed as and from their respective dates, and it was also thereby enacted that the board should continue to exercise its powers so far as might be necessary and convenient for winding up and concluding the business of the board.

By the Orders in Council the board was empowered to make such enquiries and investigations as were necessary to ascertain what supplies of wheat were or might be available from time to time; the locality and ownership of these supplies; the transportation and elevator facilities available therefor, and generally the conditions connected with the marketing of wheat.

The Board was also empowered to buy and sell wheat or wheat products at any point in Canada; to pay therefor the prices to be scheduled by the board and approved by the Governor in Council; to sell wheat to the millers in Canada at prices and upon conditions fixed by the board; to store, transport and market wheat; to sell quantities in excess of domestic requirements to purchasers overseas or in other countries at such prices as might be obtainable; to provide for the retention and distribution in Canada of seed wheat required for the season of 1920; to fix maximum prices or margins of profit at which flour and other products made from wheat delivered to millers might be sold, and to fix standards of quality of flour; to purchase flour from millers at prices to be fixed by the board, and to sell the flour in Canada or in other countries; to take possession of and to sell and deliver wheat stored in any elevator or warehouse, or in railway cars or Canadian boats, and to deal with the same as if acquired by the board in ordinary course; to control by license or otherwise the buying and selling of wheat and wheat products in Canada, and the export and sales of flour outside of Canada; to allocate Canadian lake tonnage and to distribute cars for rail shipments; to provide that no person, firm or corporation other than the board should buy wheat, operate any elevator or warehouse where wheat is received, or handle wheat on commission or otherwise, unless licensed by the board; to require that any wheat sold or purchased in Canada should be delivered to the board, or to its order, in accordance with such regulations as the board might make; to require every license of the board accepting delivery of wheat to pay the purchaser by way of an advance or cash payment such sum or sums as might be directed by the board; to order any person holding wheat stored in any elevator or warehouse or in railway cars or Canadian boats to sell and dispose of



the wheat to any purchaser named by the board on such terms as the board might direct, and it was provided that any such order of the board should pass to the purchaser the property in the wheat therein described.

The board was also empowered to prohibit the export out of Canada, or the importation into Canada, of any wheat or wheat products otherwise than in accordance with the orders or regulations of the board, and to prescribe penalties for contravention of the orders or regulations of the board.

There were some other powers conferred by these orders, of a subordinate or incidental character, which need not be more fully set out because the foregoing statement indicates sufficiently for present purposes the objects of the board and the scope and character of its powers.

It will be perceived that these powers naturally group themselves under two heads; there are enabling or facultative provisions, and there are compulsory provisions. As to those of the former class, I apprehend that Parliament has undoubted authority to constitute a board for the purpose of buying and selling, and to enable it to contract and to exercise such powers as are necessary or incidental to a voluntary undertaking.

The board is, however, invested with compulsory powers, and for the purpose of considering the authority of Parliament to constitute a commission clothed with these powers, it is well to mention some of them separately. They include (a) the fixing of maximum prices or margins of profit at which flour may be sold by the millers; (b) the compulsory taking of wheat in store or in transit subject to compensation fixed by the board, including power by order of the board to transfer the property in any wheat so stored or in transit to such purchaser, and upon such terms, as the board may nominate and prescribe; (c) prohibition of buying and selling wheat in Canada upon commission or otherwise, and the operating of elevators or warehouses for wheat, except by license of the board; (d) authority to require delivery to the board of all wheat sold or purchased in Canada; (e) regulation by the board of the dealings of its licensees.

These coercive powers would be exercisable by the reconstructed board in the provinces, and they directly affect property and the exercise of civil rights in the provinces; they enable the board generally, not only to have a monopoly of the trade in wheat, but also to regulate the price of flour manufactured in a province, even from wheat grown in that province; they may be exercised to forbid trading in the provinces except by Dominion license. They are therefore powers of the character described by the British North America Act 1867 as relating to matters coming within "property and civil rights in the province," or "matters of a merely local or private nature in the province." Consequently, upon well established principles or interpretation, the reconstruction of the board with these powers is competent to the Parliament of Canada only if the necessary enacting authority be found in the enumerated Dominion powers of legislation, in which case the *prima facie* provincial powers are overborne.

Comprehensive authority is conferred upon the Parliament of Canada to make laws for the peace, order and good government of Canada in relation to all matters not coming within the classes of subjects assigned exclusively to the provinces, and moreover there are enumerated subjects as to which the authority of Parliament is exclusive; one of these is the class of subjects described as "militia, military and naval service and defence," including the necessary or incidental powers exercisable in time of war for the defence of the country. No question is suggested as to the authority of Parliament, or of the Governor in Council under the War Measures Act and the confirming Acts, to give effect to the Orders in Council under which the former Wheat Board was established and exercised the powers expressed to be conferred upon it. The temporary nature of these powers is evidenced, not only by the Orders in Council themselves, but also by chapter 5 of 1921, whereby the Orders in Council

were continued in force merely for the necessary and convenient purpose of winding up and concluding the unsettled business of the board, and thus it is plain that the provisions affecting the former board were sanctioned only as war measures.

The present inquiry is concerned with the question as to whether Parliament may in the existing circumstances reconstruct the board with its former powers, and it does not appear whether it be proposed to reconstruct upon a permanent or a temporary footing; that consideration, however, becomes immaterial if, as I think, the board cannot now be reconstituted as a war measure.

It might have been suggested that the exclusive power of Parliament with regard to "the regulation of trade and commerce" would extend to regulation of the wheat trade in the manner provided by the Orders in Council, but this power, comprehensive enough in its mere statement, has been limited by judicial interpretation; and, compatibly with the decisions, it does not comprise the powers which would be necessary for the reconstruction of the Wheat Board.

The insurance trade was regulated by means of a system of licenses under the provisions of a series of statutes enacted by the Parliament of Canada from the time of the Union until 1910, but when the Consolidated Act of that year came to be reviewed by the courts it was held, both by the Supreme Court of Canada and by the Judicial Committee of the Privy Council, that the legislation was *ultra vires*, and their lordships of the Judicial Committee in pronouncing the judgment held that, as a result of the decisions, "it must now be taken that the authority to legislate for the regulation of trade and commerce does not extend to the regulation by a licensing system of a particular trade in which Canadians would otherwise be free to engage in the provinces." Attorney General for Canada vs. Attorney General for Alberta, 1916 Appeal Cases, at page 596.

Similarly in the recent case with regard to the Board of Commerce Act, and the Combines and Fair Prices Act, although the judges of the Supreme Court of Canada were equally divided in opinion, it was held by the Judicial Committee that the legislation, which was designed to prohibit the hoarding of the necessities of life and to require the sale of them at fair prices, could not be upheld under the power to regulate trade and commerce.

It may be observed that the wheat trade is in some of its aspects not merely local within the province of production. The greater part of the crop in the wheat growing provinces is exported, not only from the province of growth, but from the Dominion, and the trade thus assumes an interprovincial or foreign character; it is also a trade of great dimensions and importance affecting the interests of the whole Dominion; but in like manner the insurance trade in itself was not the less interprovincial or extra local; and moreover the fair distribution of the necessities of life at reasonable prices, which seems to have been the dominant motive of the Board of Commerce and Fair Prices legislation, was a project of general importance and of common interest, potentially affecting the whole body politic.

In the Prohibition Case, 1896 Appeal Cases, at page 361, their lordships of the Judicial Committee expressed their conviction that "some matters, in their origin local and provincial, might attain such dimensions as to affect the body politic of the Dominion, and to justify the Canadian Parliament in passing laws for their regulation or abolition in the interests of the Dominion"; and apparently their lordships upheld the Canada Temperance Act, which was then under consideration, upon the ground that the dimensions of the liquor trade were such as to withdraw the particular subject matter of that Act from provincial powers. We are told, however, that the principle enunciated by the Prohibition Case is to be applied with great caution, and with reluctance, and that its recognition as relevant can be justified only after scrutiny sufficient to render it clear that the circumstances are abnormal. A constitutional power which is beset by these conditions, and which moreover depends upon the dimensions of its subject matter, is not a very safe one to



rely upon; the principle has in fact been made effective only with relation to the Canada Temperance Act, notwithstanding that it was afterwards advocated in several cases where the subject of the enactment in question was held to remain provincial, although not lacking in growth, magnitude or general importance. Therefore I do not think that the dimensions doctrine can be successfully invoked to reconstitute the compulsory powers which were possessed by the Wheat Board.

It is clear that so long as a subject matter of legislation finds place within the enumerations of provincial powers it does not belong to the Dominion under its general authority to make laws for the peace, order and good government of Canada. It is certain that the essential compulsory powers of the Wheat Board are *prima facie* included in the provincial enumeration of property and civil rights or local matters in the provinces. In my opinion these powers do not lie within the field which may be occupied by the execution of the Dominion power to regulate trade and commerce, as that power has been expounded in successive decisions by the ultimate tribunal of appeal; and I think it may be affirmed without uncertainty that the necessary reconstructive powers are not comprehended in any other of the Dominion enumerations. While I do not suggest a doubt that conditions of export from the Dominion and foreign trade relations may be regulated by Parliament, I am impressed with the view that these powers cannot be made a cover for legislation which denies the freedom of contract, capacity to buy and sell and the maintenance and exercise of proprietary rights which exist under the provincial laws. The powers of criminal legislation which belong exclusively to the Dominion are in their application to this case of an ancillary character and cannot as such be invoked to afford a sanction for measures in themselves *ultra vires*. Consequently it is my opinion that the reconstruction of the Wheat Board in the present circumstances with the powers conferred thereon by the Order in Council is a project constitutionally incompetent to the Parliament of Canada.

E. L. NEWCOMBE.

I concur,

Sir LOMER GOUIN.

D. D. MCKENZIE.

## APPENDIX "B"

### REPORT OF SUB-COMMITTEE

Composed of Mr. R. M. Johnson, Chairman, Hon. S. F. Tolmie and Mr. A. R. McMaster, to Agricultural Committee.

Your Committee begs respectfully to report:

1. That your Committee were appointed on the 24th day of April, 1922, "with authority to confer with the law officers of the Crown and experts in the grain business, including Messrs. James Stewart and F. W. Riddell, and such others as it may deem advisable to ascertain to what extent the Canada Wheat Board or other national wheat marketing system, compulsory or otherwise, may be established by this Parliament, with or without supplementary provincial legislation, and to report their findings to this Committee".

2. That your Committee submitted to the Deputy Minister of Justice the following questions:

1. Is it possible from a legislative standpoint through legislation passed by the Federal Power and by the several provinces of the Dominion to create a Canadian Wheat Board with powers identical with that created in 1919?

2. What powers must be given to such a Board from the Federal Power, and what from the Provinces?

3. What would the extent of such powers be, territorially?



3. That your Committee, accompanied by Mr. James Stewart, waited upon the Deputy Minister of Justice and had the advantage of a personal conference with him on the points raised, and we also received from him a copy of his Memorandum under date of the 28th April, 1922, submitted by him to the Minister of Justice. This Memorandum is in the following terms:

Referring to the memorandum of the 14th instant with regard to the proposed re-establishment of the Canadian Wheat Board, the following additional questions have now been submitted for my consideration:—

1. Is it possible from a legislative standpoint through legislation passed by Federal Power and by the several Provinces of the Dominion to create a Canadian Wheat Board with powers identical with that created in 1919?

2. What powers must be given to such a Board from the Federal Power, and what from the Provinces?

3. What would the extent of such powers be, territorially?

As to the first question, I would answer theoretically in the affirmative.

As to the second question, I am of the opinion that Parliament may constitute a Board for the purpose of trading in wheat throughout the Dominion, and it may I think confer upon the Board such capacity as any one of the King's subjects possesses to contract, buy and sell, transport, account, and otherwise to exercise such powers as may be necessary or useful for the purpose of acquiring any wheat produced in the country which the proprietors may be willing to dispose of and upon such terms as may be agreed or otherwise legally authorized; also to market the wheat and to receive and account for the proceeds. The capacity and power with which such a Board may be endowed by Parliament are of a voluntary character and do not include the authority which the former Board possessed, to impose its will compulsory upon the proprietors either in the way of forcing sales or fixing prices.

The Board thus constituted would be subject to its transactions locally to the laws of the respective provinces in which it might operate, and the legislatures of these provinces, having exclusive authority over property and civil rights and matters of a merely local or private nature, could in my opinion, each within its own provincial limits, provide means by which the wheat produced in the provinces might be acquired by the Board, and whereby the price or compensation might be regulated in conformity with the requirements of the Board. It may be suggested for example that a provincial enactment forbidding the sale of wheat except to the Board, and providing that sales should be governed by the terms prescribed or stipulated by the Board, would be effective to enable the Board to acquire all the wheat grown in the province which would be offered for sale.

As to the third question, the territorial extent within which the Board might exercise its powers would be governed by its constitution, and they might extend to the whole Dominion, or to any two or more of the provinces.

While in my opinion it is thus constitutionally not impossible by the exercise of the respective legislative powers of the Dominion and the province, each within its own sphere, to establish a Board having the capacity and coercive powers which the Canadian Wheat Board possessed, I express no opinion as to the practicability of the project.

4. That subsequently your Committee waited upon Mr. Newcombe and submitted to him the following question:—

‘To what extent may the use of terminal warehouses or elevators located in provinces, other than those passing legislation supplementing the proposed Federal legislation, be acquired by the Wheat Board that it is proposed to establish?’

5. That in conference concerning this question we intimated that the “use” referred to in the first line of this question was to be interpreted as *exclusive* use.

The view verbally expressed to us by the Deputy Minister was that the use of elevators owned by the Dominion could be exercised in any manner whatever by the Dominion Government: that as to privately owned elevators such could be declared works for the general advantage of Canada, and when so declared would fall under Federal jurisdiction.

In conclusion, the Deputy Minister expressed the view that by legislation passed partly by the Dominion and partly by the provinces it was legally possible to control:

- (a) The acquisition of all wheat raised in any provinces passing such legislation;
- (b) The storing of the wheat so acquired in country elevators;
- (c) The storing of such wheat in terminal elevators even though those elevators be situated in provinces other than those passing laws for the compulsory acquisition of wheat;
- (d) All export and import trade in wheat and wheat products.

The whole respectfully submitted.

(Sgd.) R. M. JOHNSON.  
 " S. F. TOLMIE.  
 " A. R. McMASTER.

Mr. McConica moved, seconded by Mr. Sales:

"That the Report as read be adopted as a correct statement of the Record and Proceedings of the Committee."

Debate followed.

Hon. Mr. Stevens rose to a Point of Order, and submitted, quoting authorities, that this committee had not the power or authority to reconsider a question which had already been determined by the committee.

The Chairman ruled that Mr. Stevens' Point of Order was not well taken at the present time.

The question being put:

The Motion of Mr. McConica as above, was declared to be unanimously carried.

The Committee adjourned at 12.30 o'clock p.m. to meet at the call of the Chair.

ARTHUR GLASIER,  
*Clerk to Committee.*







# SELECT STANDING COMMITTEE

ON

JACKMAN

## Agriculture and Colonization

### MINUTES OF PROCEEDINGS

No. 19—FRIDAY, MAY 26th, 1922

#### ADOPTION OF REPORT TO HOUSE OF COMMONS

FRIDAY, May 26, 1922.

The Committee met at 11.00 o'clock a.m., Mr. Kay, the Chairman, presiding.  
Present.—Messieurs Bowen, Brethen, Caldwell, Campbell, Crerar, Evans, Forke, Forrester, Garland (Bow River), Good, Hatfield, Jelliff, Johnson (Moosejaw), Knox, Lovett, Lovie, Lucas, McConica, McKay, Milne, Motherwell, Pritchard, Rankin, Sales, Stewart (Humboldt), Thurston, Tolmie, Warner and Woodsworth—29.

It was moved by Mr. Forke, seconded by Mr. Lovett; that

“The resolution proposed by Mr. Johnson (Moosejaw), on the 11th day of May and adopted on the 17th day of May, be rescinded.”

Motion carried.

It was moved by Mr. Johnston (Moosejaw), seconded by Mr. Jelliff; that

“1. It is desirable in the national interests that the Government immediately create a National Wheat marketing agency for the marketing of the wheat crop of 1922.

“2. That this agency be given all the powers of the Wheat Board of 1919 as are within the jurisdiction of Parliament to grant except as they include the direct marketing of flour and other mill products.

“3. That an Act be passed, based on this resolution to become effective by Proclamation, as soon as two or more of the provinces have conferred upon this agency such powers possessed by the Wheat Board of 1919 as come within provincial jurisdiction.”

Motion carried.

It was moved by Mr. Garland, seconded by Mr. McConica that, the following be the Report of the Committee and that the same be presented to the House this day together with the Minutes of Proceedings and Evidence, attached thereto.

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## FIFTH REPORT

The Select Standing Committee on Agriculture and Colonization beg leave to present the following as their fifth report.

Your Committee, having held twenty-two meetings and heard the evidence of nineteen witnesses and having given full consideration to the whole matter referred to them, beg leave to submit the following resolution as a recommendation, viz:—

1. That, it is desirable in the national interests that the Government immediately create a National Wheat Marketing agency for the marketing of the wheat crop of 1922.

2. That this agency be given all the powers of the Wheat Board of 1919 as are within the jurisdiction of Parliament to grant except as they include the direct marketing of flour and other mill products.

3. That, an Act be passed based on this resolution, to become effective by proclamation, as soon as two or more of the provinces have conferred upon this agency such powers possessed by the Wheat Board of 1919 as come within provincial jurisdiction.

Your Committee also submit herewith the Minutes of their Proceedings and the Evidence taken by them.

All which is respectfully submitted,

W. F. KAY,  
Chairman.

The question being put:

Motion was agreed to, unanimously.

Committee adjourned at 12.30 o'clock p.m. to meet at the call of the Chair.

ARTHUR GLASIER

*Clerk to Committee*













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